FINANCIAL TIMES



Beijing warns

Dalai Lama film

Beijing has warned Walt Disney that links with

a Martin Scorsese film about the Dalai Lama

EU members undermine fishing cuts: European Union countries have watered down

European Commission plans to reduce catches of some fish by 40 per cent and to cut the size of trawler fleets. Ministers will today consider

owned Thomson electronics group widened with the threat of a further judicial investigation of

the head of the Lagardère company that is bid-

ding to buy the Thomson-CSF defence division.

Bank of Japan governor Yasuo Matsushita reas-

savings would not be endangered by its forced closure. Page 14 and Lex; Tokyo acts to clear

Manfred Schneider, chairman of Bayer, one of

the world's largest chemical and drugs compa-

nies, said Europe's multiple currencies and tax

borders were costing the region's industry bil-

Allianz to raise Australian stake: German

insurer Allianz plans to strengthen its strategic

group from nearly 18 per cent to 38 per cent at a

Ulster bomb defused: British army experts

Five compete for telecoms project: OTE,

Greece's state-owned telecommunications com-

pany, is examining offers from five international

operators shortlisted to help launch Greece's.

Glaxo Wellcome, the world's largest pharmaceu-

ticals company, is to take full control of its Jap-

third mobile telephone network. Page 15

Glaxo to buy out Japanese venture:

anese joint venture Nippou Glaxo for Y66bn

39 die in Hong Kong blaze: Fire swept

through a 16-floor shop and office block in a

Hong Kong tourist district, killing at least 39

ry's worst building blaze on record. Page 6

people and injuring many others in the territo-

Apec moves to increase membership:

The Asia Pacific Economic Co-operation forum

member grouping to include up to 10 Asian and

Latin American countries and possibly Russia.

South Africa raises bank rate to 17%;

The South African Reserve Bank raised its bank rate by 1 point to 17 per cent because of the . "serious threat" of worsening inflation. Page 7 Sharp rise in raisin prices: The price of Californian raisins has risen sharply because of

a poor crop. Britons will bear the brunt of the rise because they consume more dried fruit than

Willem de Kooning's painting "Woman" sold for

price paid for a work of art at auction this year.

FT.coms the FT web site provides online news,

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OTHER RATES

De Kooning picture fetches \$15.6m:

\$15.6m at Christie's in New York, the highest

anyone else in the world. Page 14

took the first steps towards enlarging the 18-

(\$595m). Page 15; Lex, Page 14

Page 5

defused a 600lb bomb outside police headquar-

Australian insurance and financial services

cost of A\$100m (\$79m). Page 15

Japan bank's depositors reassured:

sured depositors of Hanwa Bank that their

Bayer chief backs single market:

would jeopardise the US entertainment group's ambitious expansion plans in China. Disney offi-cials said the company had "no connections"

Disney over

with the production. Page 14

fresh proposals for cuts. Page 2.

financial wreckage, Page 6

lions of pounds, Page 2

Page 2

Row over Thomson sale widens: Controversy over the sale of France's state-

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A CHARLES SHARE

Baltic dilemma Lost in space

A new strategy for security

Russia's rockets suffer a setback



Weekend FT The birth of



Derivatives

Focus on new products

World Business Newspaper http://www.FT.com

FRIDAY NOVEMBER 22 1996

Rival manufacturers lose out as US carrier agrees for the supply of 600 aircraft

Mother city

American Airlines in Boeing deal

American Airlines yesterday announced that Boeing of the US would be its exclusive aircraft supplier until 2008, pro-viding the carrier with more than 600 aircraft.

This marks a significant departure from airlines' usual can a unique way to replace its practice of inviting bids from existing fleet with great flexiseveral manufacturers to obtain lower prices.

Instead, American has obtained substantial price concessions from Boeing in return Airbus Industrie, the European Douglas of the US. Mr Robert Crandall, Ameri-

can's chairman, said: "Our new partnership with Boeing doing business. It gives Ameriexisting fleet with great flexi-includes 12 777s, Boeing's new-bility and at fully competitive est twin-engined, wide-bodied prices. In return, Boeing aircraft. American has also obtains a long-term agreement."

The airline has made the

aircraft from rivals such as on American's pilots agreeing to a new six-year contract. Mr consortium, or McDonnell Crandall has often expressed exasperation over the power of the pilots' union.

American has placed orders with Boeing for 103 aircraft, is a completely new way of with list prices of \$6.5bn but it able to place its additional is likely to have negotiated placed orders for Boeing 767s, 757s and 737s.

The airline has obtained in the industry - that of air-

for an undertaking not to buy deal with Boeing contingent "purchase rights" for an addi- lines ordering aircraft when any airline except Delta of the tional 527 jets over the next 20 years. Mr Crandall said these differed from the usual options which have to be exercised two have fallen to three years before the air-craft are delivered.

However, American will be orders, at pre-determined prices, 15 mouths before it needs narrow-bodied aircraft requires wide-bodied aircraft. By doing so, it hopes to avoid a long-standing problem

business is strong and having to take delivery several years later when passenger numbers

Mr Christopher Tarry, aviation analyst at Kleinwort Benson in London, said he thought other carriers would attempt to reach similar arrangements but that only large airlines were likely to succeed. "You've and 18 months before it got to have the same weight and muscle that American have," he said.

American, which carried

US, has bought aircraft from Boeing, Airbus and McDonnell Douglas in the past. It said that buying exclusively from Boeing would give it a more uniform fleet, leading to lower

The decision also ensures greater uniformity with Brit-ish Airways, with which Amerance. BA has a predominantly Boeing fleet and the two airlines want to co-ordinate their

Continued on Page?

Russia raises \$1bn as bond issue takes off

By Conner Middelmann in London and John Thomhill

Russia yesterday raised \$1bn in the bond markets, double the amount it originally thought it could raise, in its first international issue since the 1917 Bolshevik revolution. The issue was heavily over-

subscribed - after an international marketing push - which led the Russian government to increase its offering from the originally planned \$300m to 500m. Investors submitted bids in excess of \$2bn.

Mr Victor Chernomyrdin, relationship with MMI by raising its stake in the prime minister, said investor interest exceeded expectations and reflected the trust interna-tional investors had in Russia. knock-on effect on domestic

than we had initially planned." he said. "This means we are joining the most demanding ranks of the international financial market."

The success of the issue will clear the way for several municipal authorities which per cent in Europe. hope to tap international capital markets. Moscow, St interest of 9.25 per cent semigorod are expected to issue eurobonds in the near future.

Some of the country'a bigtial borrowers. Gazprom, the 338 points during trading. world's higgest gas producer. which raised \$429m through an equity placing in October, is planning a \$500m euroboud off producer, could follow suit.

Mr Paul Luke, head of emerging markets research at

Deutsche Morgan Grenfell, said the success of yesterday's issue was "a big vote of confidence in Russia by international investors".

Analysts said the bond was attractive to emerging market specialists and more general institutional investors who have not been able to buy existing domestic Russian debt instruments.

"This is a straightforward bond, which is easy to trade and can be cleared through Euroclear and Cedel," said Mr Daniel McGovern, head of emerging markets fixed income research at Merrill Lynch. The bonds are governed by English law.

"The market is ready to take debt prices. Finance ministry our bonds in greater numbers bonds rose % point while Vnesheconombank loans rose 1/2. JP Morgan and SBC War-

burg, the investment banks that arranged the deal, said 44 per cent of the issue was placed with investors in the US, 30 per cent in Asia and 26 The five-year bonds pay

investors at a yield of 9.36 per cent, 345 basis points more than the yield on US Treasury gest companies are also poten-notes. That spread tightened to Mr Yevgeny Yasin, Rus-

sia's economics minister, warned that parliament might not approve the 1997 budget issue. Lukoil, Russia's biggest before the start of next year, damaging the economy.



Aftermath: Eurotunnel staff inspect a lorry destroyed in the Channel tunuel fire, as the full scale of the incident became clear 🙉

Deutsche Bank to move funds control

By Andrew Fisher in Frankfurt

Deutsche Bank is to transfer supervision of the UK-managed retail funds of Morgan Imro. Grenfell Asset Management to its German investment fund subsidiary, DWS, following the Petersburg and Nizhny Nov- annually and were offered to row over the activities of Mr not affect the day-to-day man-Peter Young, the sacked unit

trust manager. However, the regulator of the UK fund management industry voiced concern over the plan and indicated that it might try to force the bank to

in an unusual move Imro - the Investment Management Regulatory Organisation - said that it had not been consulted by Bonds, page 24 Deutsche Bank. "We have yet

London.

Thorpe, chief executive of Mr Tessen von Heydebreck, a director of the German bank,

said the planned move would agement of the MGAM unit trusts, which would stay in

However, DWS would in

to receive any requests from future have ultimate responsi-Deutsche Morgan Grenfell on billity for risk control, using this matter," said Mr Phillip computerised and other monitoring systems developed for its own funds. Mr Christian Strenger, head of DWS, said compliance for the UK unit trusts would have to be carried

> out "with a straight backbone". Deutsche Bank had indicated that such a move was

under consideration after the

scandal broke in September. "There have to be clear responsibilities," said Mr von Heydebreck.

He said that the decision did uot mean that Deutsche Morgan Grenfell would have "cloned versions" of DWS funds in Britain. The group wanted to take advantage of varying market trends and

Continued on Page 14

US regulator files fraud suit against Montedison

By Tracy Corrigan Robert Graham in Rome

The US Securities and against a big Exchange Commission yesterday filed a civil fraud case against Montedison, the first legal action by a US regulator against one of the big Italian

companies tainted by the counry's corruption scandals. The action alleges that Montedison falsified its financial statements from at least 1988 to 1993 to conceal bribe payments of \$400m or more.

The move shows that "the Commission is going to hold foreign issuers to the same standards of financial reporting as domestic issuers", said Mr Paul Gerlach, associate director of the SEC's enforce. on the NYSE. ment division.

similar suits were under conthe alleged fraud, not bribery, was the reason for the action. agribusiness group, comes an accounting entry on the during the 1980s.

SEC begins first civil action Italian group

under the jurisdiction of the SEC because it lists its American Depositary Receipts, each representing 10 shares of its common stock, on the New York Stock Exchange. The exchange is policed by the SEC. The company has listed

its ADRs since 1987. As of May 31 1995, US residents owned about 6.1 per cent. of Montedison's stock, 0.7 per cent through ADRs. Montedison is one of a dozen Italian companies with ADRs listed

The complaint alleges that He declined to say whether Montedison fraudulently misstated its financial condition sideration but emphasised that in its filings to the SEC, disseminated to the public. The complaint cites two

CONTENTS

Init. Cap Mids ..

edly used to disguise bribes as a loan; and the "Enimont affair", involving the overstatement of property values to disguise bribes. The fraudulent entries

resulted in writedowns totalling around \$400m in 1992 and 1998, the SEC claims. The company is also charged

with violating the corporate reporting, books and records and internal control provisions of the Securities Exchange Act of 1934.

In a civil suit of this nature the SEC can seek fines of up to \$500,000 for each breach of the exchange act. Mr Gerlach said that in this case the alleged breaches were multiple. No individuals are named in the case, which seeks restitution from the company itself.

Montedison's problems relate to the 1993 collapse of the Ferruzzi family's business empire, which was a product of the assressive management . Montedison, a chemicals and examples: the "Exilar loan", of the late Mr Raul Gardini

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Foreign Exchanges 25

Menaged Funds 27-29

Int. Bond Service .

麩 COLUMN THE TAXABLE PROPERTY. Controversy widens over sale by French state of Thomson electronics group

Lagardère may face further inquiry

By David Buchan in Paris

The controversy over the sale of France's state-owned Thomson electronics group widened yesterday, with the threat of a further judicial investigation of the head of the Lagardère company that is bidding to buy the Thomson-CSF defence division.

The threat comes against a background of demonstrations in Paris and several other cities this week by several thousand employees of Thomson Multimedia. They were protesting about the government-approved plan for Lagardère to sell their Mr Lagardère should not be company's consumer elec- tried for the same alleged

tronics business on to Daewoo of South Korea.

Mrs Eva Joly, a leading investigating magistrate of financial cases, yesterday decided to follow up a complaint against Mr Jean-Luc Lagardère, chairman and chief of executive of the conglomerate that bears his name, relating to the terms by which the Lagardère group was formed out of the 1992 merger of Matra and Hachette

Mrs Joly may face an appeal against her action from the Paris public prosecutor, who earlier decided

minority Matra shareholders whose similar civil case was thrown out hy an appeal court last January.

The Matra shareholders alleged that, in the merger share swap, they did not receive enough Hachette shares because Mr Lagardère used the excuse of defence secrecy to conceal the size of his 1992 missile contract with Taiwan.

Last night, Lagardère said it was suing two of the shareholders for "attempted extortion".

Last month, another magistrate opened an investiga- the French telecommunica-

shareholder. This alleged Mr Lagardère's practice of tak-Ing 0.2 per cent of his group's FFr50hn (\$10hn) annual turnover as a management fee for himself and close associates constituted

Despite mounting pressure of different kinds on Lagardère and its Korean ally, they still seem to have the support of the government, particularly of Mr Alain Juppé, the prime minister. The latter announced on October 16 that Lagardere Daewoo rather than Alcatel.

misuse of corporate funds.

offence twice. The complaint tion into another complaint tions group, was the pre-has been filed by one of the by a Lagardére minority ferred bidder for Thomson. However, three further stages still remain in the privatisation that was launched reduce the group's debts.

by Presideot Jacques Chirac in February. The European Commission has to vet the FFr11hn state recapitalisa. tion of Thomson that is to accompany the sale, the government's privatisation committee has to give its view on the choice of Lagardere over Alcatel, and the government has promised a National Assembly debate

on the sale. Because the sale is still being considered by the privatisation committee, finan-

most awkward secu-

hig power policy-makers has

been what to do about the

three tiny nations of

Estonia, Latvia and Lithua-

nia, which perch on the

south-eastern shore of the

Baltic Sea next door to Rus-

Today, the outlines of a

The three countries, occu-

pied hy the Soviet Union

until the end of the cold war,

want to join Nato as the ulti-

mate guarantee of their inde-

Russia, which is against

Nato enlargement in gen-

eral, is adamantly opposed

to extension of the alliance

to one of its most sensitive

pendence and security.

strategy to tackle the issue

appear to be emerging.

rity dilemmas facing

have to take

'second best'

Security strategy short of full

Nato membership takes shape

released. However, critics of the Thomson sale argue the state is paying too much to

They also believe that Lagardère - which will be able to raise as much as FFr8bn from Thomson-CSF's stakes in SGS-Thomson and Crédit Lyonnais - is paying too little, and that at least the Multimedia sale should be delayed.

They claim Daewoo plunders other companies' inveonons, and will do the same with Multimedla which in 1999 is due to receive FFr1bn a year in licensing fees from

EUROPEAN NEWS DIGEST

Kohl called to franc defence

The French government yesterday enlisted the public support of German Chancellor Helmut Kohl to stem any weakening of the franc, following the call by ex-President Valery Giscard d'Estaing for a lower franc rate against the dollar, and therefore by implication against the D-Mark, to help the country to qualify more easily for European monetary union.

Mr Giscard d'Estaing's ostensibly pro-Emu recommendations, spelt out at length in L'Express magazine, won warm support from the leading Gaullist Eurosceptics, Mr Philippe Seguin, the National Assembly president, and Mr Charles Pasqua, a former minister. This, coupled with rumours of an imminent reshuffle of Mr Alain Juppe's government, weakened the franc, which

The former president flew to Bonn yesterday for a long planned meeting with Mr Kohl. Partly to minimise any implications from that meeting, Mr Juppe rang the German leader yesterday afternoon and the two issued a joint statement. This reaffirmed the Franco-German commitment to Emu and to meeting the Maastricht criteria, adding that "the current parity between the franc and the D-Mark corresponds to the overall fundamentals David Buchan, Paris of the two national economies".

Russian PM flies to Belarus

Russia's prime minister, Mr Victor Chernomyrdin, flew to Minsk last night to try to resolve the growing confict between the Belarusan president, Mr Alexander

Lukashenko, and parliament. Yesterday, Mr Lukashenko, whom he is scheduled to meet, reiterated his plans for Sunday's referendum on a draft constitution, defying parliament, the higher courts and the electoral commission.

"I am not going to share power with anyone," he told Interfax news agency. The draft would give him control over the other branches of government and extend his term in office until 2001.

The president's unylelding stance has made Russia and lts central European neighbours anxious. The Kremlin, until this week his steadfast supporter, has called for a compromise. On Wednesday. Mr Lukashenko rebuffed a Russian mediation offer, refusing to meet Mr Chernomyrdin and Mr Seymon Sharetsky, the speaker of Matthew Kaminski, Kiev the Belarusan parliament.

Poll protests in Belgrade

Some 20,000 supporters of the Serbian opposition marched on parliament in Belgrade yesterday to protest at the cancellation of a number of local election results. The main opposition coalition, known as "Together", claims the governing parties are trying to steal the election by ignoring unlavourable results or branding them as fraudulent. Demonstrators denounced what they called "red bandits" in government and President Slobodan Milosevic, whom they compared to President

Saddam Hussein of Iraq. A spokesman for the governing Socialists said opposition claims of victory in key towns were premature" as there had been genuine irregularities in the voting. The most charismatic opposition leader, Mr Vuk Draskovic, accused the government of "state terrorism"; his wife, Danica, called on citizens to form Paul Wood, Belorade Croatia is facing mounting international criticism of its

move to close an independent radio station, while domestic opposition is encouraging wider demands for more democracy. Both the US and Britain have criticised the government's move against Radio 101. Reuter, Zagreb

Hungarian road toll attacked A Hungarian court has ruled that the country's only private motorway has been charging unjustifiably high

tolls, and ordered it to halve its prices. The 43km stretch of road in north-west Hungary linking the main highways between Vlenna and Budapest, was opened earlier this year but has been used less than expected. It was built at a cost of \$370m by a consortium led by Transroute International, the overseas division of the French highway operator, and including Strabag, the Austrian construction company, and mainly French

rate per kilometre than toli roads elsewhere in Europe. The consortium says that the price is higher because the state has a smaller part in the project than is usual, and that its charges are in line with its 1993 contract for the 35-year concession. Virginia Marsh, Budapest

banks. At present the charge is Ft1.000 (\$6.40), a higher

Bonn 'calm' over Iran threat

The German government yesterday declared that its policy towards Iran was one of "cool headedness and calm", in spite of reports that militant Islamic clergy had threatened public prosecutors in Berlin with death.

The cabinet yesterday discussed relations with Iran after press reports of the death threats and several days of demonstrations outside the German embassy in Tehran. The disturbances were triggered by federal public prosecutors claiming last week that Iran had been involved in the murder in Berlin in 1992 of four

Kurdish-Iranian opponents of the Tehran regime. But while officials tried to pour oil on the troubled waters, some ministers showed less patience. Mr Edzard Schmidt-Jortzig, the justice minister, angrily condemned the threats against the public prosecutors and Mr Carl Dieter Spranger, the development aid minister, called for a rethink of German policy. Peter Norman, Bonn

Di Rupo case waits on report

The Beigian government faces an uncomfortable 18-day wait to discover if Mr Elio Di Rupo, deputy prime minister, will have to stand trial on paedophilia charges. Parliament voted yesterday to accept the ruling of an internal inquiry committee that the supreme court be asked to prodoce a more detailed report by December 9. If he is sent for trial, he will be forced to resign,

threatening the survival of the delicately balanced four-party coalition. Mr Jean-Luc Dehaene, the prime minister, speaking publicly about the matter for the first time, told parliament last night It was 'premature at this stage to make political decisions and Mr Dl Rupo retains my confidence". However, confidence in the government and the whole political system has already been severely undermined by a series of criminal and political scandals in recent weeks.

Both Mr Di Rupo and Mr Jean-Pierre Grafé, a regional minister in Wallonia, who has been similarly accused, Neil Buckley, Brussels deny the claims.

Hungary lifts energy prices

The Hungarian cabinet yesterday agreed controversial energy price rises for domestic consumers from January but was unable to settle bow the increases will be divided among evergy generators and distributors.

Prices of gas are to rise by 18.8 per cent and of cent return for foreign strategic investors in the sector, in

Hungary had promised to raise energy prices to cost-reflective levels from next year and thereafter in line with inflation, and on this basis sold a large part of the industry last year to western utilities including Germany's RWE and Bayernwerk and Electricité de Virginia Marsh, Budapesi

closed down one centime on the day.

Bayer chief condemns failure Baltics may to create single EU market

By Jenny Luesby in London

The chairman of Bayer, ooe of the world's largest chemical and drugs companies, said yesterday that Europe's multiple currencies and tax borders were costing the region's industry billions of pounds a year.

Addressing the UK's Chemicals Industries Association in London last night, Mr Manfred Schneider said the failure to create a single market in Europe amounted to a serious handicap for the chemicals industry.

The cost to Bayer, alone, was between DM30m (\$20m) and DM50m a year, he said in an earlier interview, A single currency was essectial, and should he introduced no later than January 1 1999. "We believe the advantages will be so great, we cannot risk missing even one month after that," he

However, it was not just the timing that was of critical concern for European husiness. "The number of countries adopting the currency must be as high as possible. It will make little sense if France, Luxembourg and Germany are the only

Economic Integration across Europe, could not be put off any longer, he said. The structures of the European chemical industry are still characterised by nate these handicaps.



Mr Jacques Santer, the European Commission president, yesterday expressed confidence that EU leaders would agree at their summit in Dublin next month the stability pact governing members of the proposed single currency and the new exchange rate mechanism for aspiring members, writes William Hall in Vienna. Pictured above (left) with the premiers of Denmark and Austria at a meeting in Vienna on monetary union, he also said member states should not think they could let their hudget deficits slip after 1997. Countries whose hudgets achieved the Maastricht target would have to make sure they remained that way.

to the needs of domestic markets.

This had led to losses in economies of scale and disadvantages in costs, com-pared to both the US and Asia. The delay in making the single market a reality was now hindering a much needed consolidation of the European industry to elimi-

active part in the integration of the internal market.

The German group's British company, Bayer plc, last year achieved sales totalling nearly £900m (\$540m) at 11 UK sites. But Britain's importance to the Union was more political than economic, said Mr Schnelder.

made sense to tailor plants join the currency union as deeper than it does on the to the needs of domestic soon as possible, and play an Continent." he said. "The crisis in the modern welfare state, with its ever increasing manipulation and intervention, was recognised and tackled in the UK earlier than in most other European

Full British participation in a single European market would provide "a guarantor "In Britain, the tradition that protectionist tendennational horders, throw- For all these reasons, it of liberal free market struc- cies, which certainly exist, backs to the days when it was important that Britain tures and attitudes goes do not gain the upper hand".

rounding them. Yet the issue has to he defused before Nato can proceed with its plans next year to begin the process of welcoming new eastern and central European members.

"If mishandled, the Baltic issue has the potential to develop into the proverbial train wreck which could derail Nato enlargement. redraw the security map in northern Europe, as well as poison the west's attempts to develop co-operative relations with Russia," wrote Mr Ronald Asmus and Mr Robert Nurick of the US thinktank, the Rand Corporation,

in a recent paper. At a conference in Stockholm this week, co-hosted by the US embassy and the Swedish Institute of International Affairs, an attempt was made to plot a track for the Baltics which avoids that threatened "wreck".

The immediate bad news for the Baltics was that they would not he among the first countries to be included in Nato enlargement. That is likely to encompass Poland, the Czech Republic and Hun-

Mr Robert Hunter, the US ambassador to Nato, did not say so explicitly, hut the sage was clear in his references to the importance of keeping the door open to those rejected at the first

It was left to the Danish delegate to spell out that it was now "hardly realistic" for the Baltics to enter in the first round. However, the US and its

European allies will not leave the issue at that Much as outlined in the Asmus/ Nurick paper, several key elements were canvassed to compensate the Baltic states. Ruhe, the German defence

ultimate Nato membership is oot ruled out. Mr Volker minister, told the FT this week that Nato would not accede to Russian demands for a permaneot block. Mr Hunter put it this way: enlargement is far from

to the independence and security of these countries and to belping to move them forward to full integration in created if the three countries western institutions, including Nato."

co-operation network. Baltic The commence of the second second

Nato-led operation in Bosnia. So-called "super-PFP" could include almost all aspects of Nato membership, short of the vital Article Five of the treaty pledging mutual defence in the face of armed attack, Mr Hunter said. A second element is

troops, helped by Denmark,

already contribute to the

enhanced regional co-operation. Denmark, Sweden and Finland have been active in seeking to deepen relations around the Baltic hasin. including Russia, in a range of areas from trade to crime-

Third, the Nordic countries and, increasingly, the US are championing the three Baltic countries in their parallel attempt to join the European Union, Russia



The three states want to join Nato as the ultimate guarantee of their independence and security

has no objection to this, but joining the EU, the cootinent's leading political and economic institution, carries with it an implied enhancement of security.

This second-prize strategy has serious flaws. For a start, Estonia, Latvia and Lithuania themselves are not happy about It. Mr Juri Luik the Estonian ambassador in Brussels, told the conference that making the Baltics "wait somewhere in the queue" showed the alliance was bowing to pressure from Moscow.

Mr Maris Riekstins, state secretary at the Latvian foreign ministry, said Nato exclusion "could trigger domestic instability and fragmentation of the Baltic region". Mr Vygaudas Usackas, his counterpart from Lithuania, added that EU membership should oot be touted as an alternative to Nato.

There remains, in any One is to emphasise that case, a hig question mark over Baltic entry to tha Union. Its timetable for enlargement may lag behind that of Nato: winning agreement from all the EU partners to take at least ooe Baltic state in the next round of assured.

The Baltics - and their Nordic neighbours - fear a dangerous vacuum could be are left adrift with neither Nato or EU membership in In the meantime, the Bal-near view. In that case, the tic states would be offered emerging "second-prize"

Hugh Carnegy

Brussels seeks to point way

slon on EU enlargement tomorrow, damping criticism that it is moving too slowly to prepare for the accession of former Communist countries of central and eastern

Commissioners will discuss reform of the common agricultural policy, the financial costs of enlargement, and security issues linked to the extensioo of the EU's eastern border and the parallel process of Nato enlargement to former Warsaw Pact countries.

The meeting is also the first opportunity to consider the implications of the election in Malta, whose new Lahour government has shelved plans to join the EU. Malta's withdrawel relieves pressure on the present 15 Unioo members to

decisioo-making to cope with

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The European Commission Cyprus's hid for early acces-bolds a hrainstorming session.

nities and oo political settle-

ment is in sight. Attention is now moving away from the EU's southern flank to the 10 applicants from ceotral and eastern Europe.

Diplomats believe the strongest candidates are the Czech Republic, Poland, and Hungary, aud possibly Estonia or Slovenia. Slovakia, Lithuania, Latvia, change their institutions and Bulgaria and Romania move ahead faster than oth-

EU enlargement is focus of special session tomorrow

Under Greek pressure, Cyprus and Malta had secured a promise from the EU that their applications for membership would be considered six months after the end of the intergovernmental conference to review the Maastricht treaty. Many criticised the linkage as artificial hecause Cyprus remains divided between the Greek and Turkish commu-

the entry of a micro-state. It oud or third wave of new front-runners and compensals also likely to hurt members. The Commission has sent

questionnaires to all applicants dealing with the economic challenge of joining the single market and the political obligations of membership. The replies have revealed serious deficiencies in public administration, agricultural reform, environmental standards, and telecommunications, a Brussels official said.

The Commission will produce opinions on each country's application as soon as the IGC is over, most likely betweeo June and October. It will also produce policy documents oo the reform of the CAP and EU regional aid to cope with the adhesion of the poorer, farm intensive economies of the east.

After that, EU leaders must decide whether to begin negotiations with all 10 countries and let some appear destined for the sec- ers. or whether to select

sate those left behind with The process is sensitive

since each eastern applicant can count on powerful patrons in the west. Germany insists that Poland. the Czech Republic and Hungary be in the first wave. The US has joined the Scandinavians in favouring early EU entry for the Baltle states if, as seems certain, they do not join Nato in the first round.

The Commission would like to give a steer to EU leaders to avoid the selection process degenerating into horse-trading. Accession negotiations are unlikely to start until mid-1998 - after the equally sensitive political decision on which of the 15 qualify for economic and

monetary union. On this scenario, the earliest likely date for accession for the first wave of eastern applicants is 2002, according

Move for large cuts in fish catches undermined

By Caroline Southey in Brussels

EU countries have watered down European Commission plans to reduce catches of some fish by 40 per cent and to cut the size of trawler fleets. Ministers will today consider fresh proposals for cuts of up to 20 per cent. The compromise, presented hy Ireland which holds the presidency, also weakens any commitment to reducing

fleets. Resistance has been fierce to the original proposals from Ms Emma Bonino. the fisheries commissioner. Ministers rejected her call for tougher measures to protect her proposals would have insula. A 15 per cent educthe Commission.

quences for fishing commu-

EU officials said Greece, Germany, Italy and Portugal had reacted positively to the Irish compromise; Britain, Belgium, Denmark, the Netherlands and Spain still had reservations.

The Irish proposal offers a more flexible approach to lowering catches, breaking down stocks into three categories depending on their vulnerability. Cuts in capacity would vary according to species as well as areas. The 20 per ceot reduction

in effort would include fisb

such as mackerel and her-

disastrous ecooomic consequences for fishing commuoff Denmark. For the third category, such as plaice in the Irish Sea. member states would have to freeze any increase in fishing effort. The proposals also weaken

a commitment to cut the size

of trawler fleets. Instead, member states will be free to achieve reductions in capacity through a range of measures such as reducing time at sea and smaller net sizes. Ireland has also proposed increasing the number of trawlers excluded from the deal by raising the size of boats exempted to 10m. In addition, the deal would ring in the North Sea or cover only three years to enhanced Partnership for falling stocks, warning that hake around the Iberian peo 1999 and not Six as sought by

The US is fully committed

full participation in an strategy would have failed. Peace. Nato's military

electricity by 24.9 per cent, but officials said further adjustments were planned. They maintained the state would still be able to meet its commitment of an 8 per part by limiting the return of state-owned energy companies to 4 per cent.

France set to approve pension bill

By David Buchan in Pads

The French National sion funds to give the country's 14m salaried employees tion. a chance to supplement the state's financially pressed pay-as-you-go scheme

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financa minister, forecast that the new private pension funds would attract some FFr30bn (\$5.9bn) of savings in their first year of operation - around only a tenth of what the French are currently pouring into lifeinsurance.

But the government is: hoping privata pension money will give a boost to the French capital markets, particularly equities.

It indicated last night its desire for MPs to direct pension companies to put no more than 60 per cent of their funds into fixed-income investments such as bonds. with the rest going into

The right to create the new pension funds will be open to all financial services companies which must establish specialised subsidiaries to manage the funds.

They will be able to manage funds for individuals or for companies on behalf of

their savings in a lump sum, get. up to a ceiling of FFr100,000, and up to 100 per cent in the case of illness or unemployment. Pension premiums up vants and the independently to 5 per cent of gross income would be free of income tax. plementary pension funds

to parliament of the pension fund law ends a long period of government dithering. Assembly was last night set since the coalition of the to approve a system of asset- RPR Gaullists and the cenbacked private-sector pen- tre-right UDF federation won the 1993 parliamentary elec-

Gaullists, in particular, feit vulnerable to the charge - repeated loudly by the Mr Jean Arthuis, the Socialists yesterday - that inanca minister, forecast the pension funds would undermine the state retirement scheme, and increase inequalities among pension-

> Aim is to supplement hard-pressed state scheme

Mr François Hollande, the Socialist spokesman, also cited recent comments hy the Axa and UAP insurance groups that their planned large-scale merger would help ball out the state social security system.

Eventually, the Gaullists gave the free-market liberals in the UDF, their junior coalition partner, their head, and let them draft most of the new legislation.

This also provided backbenchers in the UDF with Mr Arthuis said subscrib- some consolation, after the ers to the pension funds government rejacted virtuwould on retirement be able ally all its tax-cutting to withdraw 20 per cent of amendments to the 1997 bud-

The new system will cover the 14m salaried workers in the private sector - civil seremployed aheady have sup-Yesterday's presentation they can subscribe to.

German | Italian growth gloom deepens

By Ralph Atkins in Bonn

Gloom about Germany's economic outlook mounted yesterday as fresh evidence emerged to suggest government hopes of a 2.5 per cent growth rate next year might prove over-ambitious. .

Reports by the central organisation for German craft industries (ZDH), representing small, mainly family businesses, and by the Munich-based Ifo economic research institute painted a picture of falling employment and stagnant investment spending.

Tha federal statistical office said retailers' turnover in September was 8 per cent lower than the same month a year before - although it was 1 per cent higher than in August after calendar and seasonal adjustments.

The statistical office also reported a 17.1 per cent increase in corporate bankruptcies in the first eight months of the year, compared with the same period in 1995.

The figures were 36.7 per cent higher in the former east Germany and 10.6 per cent higher in west Ger-

At ZDH, Mr Hanns-Eberhard Schleyer, general secretary, said small businesses were being hit hard by the cuts in local and federal spending as part of the effort to meet Maastricht criteria for economic and monetary

Mr Schleyer described as "a sad negative record" his association's finding that only 3 per cent of members surveyed wanted to take on more staff in the last three

months of the year. Some 29 per cent of west German craft companies responding to the autumn survey said their business had deteriorated, against 22 per cent a year ago. Overall, the ZDH forecast no growth in the small business sector next year.

The Ifo institute survey of 0.93 per cent of savings 2,000 larger west German manufacturera forecast investment next year would remain at 1996 levels in nominal terms, or decline by about 1 per cent in real-

terms. The IFO also predicted 1996 spending by west German construction companies on buildings and equipment would be 20 per cent lower

Russian mystic seeks to replace Yeltsin

Zyuganov scrambles for mainstream, but can't hide his messianic inclinations

election last July, Mr Genhis hardline left-wing coali- hungry new capitalists. tion towards Russia's political mainstream.

He has expelled a Stalinist

which dominates the legislature, this summer hacked the re-nomination of Mr Victor Chernomyrdin as prime minister; and a senior figure in the left-wing alliance, Mr. Aman Tuliev, has even joined the Yeltsin cabinet.

But Mr Zyuganov's heart is not quite in it. He knows that to bring his party back from the edge of political extinction he must stick to unthreatening centrist policies designed to woo an electorate which has had its fill of orthodox communism.

He must become e sort of leader of Britain's Labour party - willing to tear his party away from its traditional supporters to make it more attractive to the more

Since his defeat at the hands of Mr Boris Yelt-sin in the presidential provincial Russia is soldiering on, offering compromises nady Zyuganov, the Commu- to the government and seeknist leader, has tried to steer ing to befriend Moscow's

But Mr Zyuganov's soul appears to thrill to an entirely different song. What splinter group which he seems to enjoy most is repelled moderate voters playing the time-bonoured from his national-patriotic role of Russian mystic, the bloc; the Communist faction, prophet whose bone-deep connection with the people allows him to perceive the deepest truths.

Mr Zyuganov may want to appear a good, late 20th-century technocrat, but once in a while, the Orthodox priest in him slips out.

The two faces were on display in a recent interview. Ensconced in the spacious dark-wood panelled offices he occamies as chairman of the largest faction in parliament, Mr Zyuganov did his best to speak the new language of moderation. Asked if he himself wished

Slav Tony Blair - reformist to become president, Mr Zyuganov demurred. Instead of brought Mr Zyuganov's bloc thinking of new elections, he said, both the government and the opposition should focus on solving Russia's to join the four-man council current troubles. "Let us convened to run the country



Zyuganov: communist leader thrilling to an ancient song

normalise the situation, let us strictly observe the laws. let us preserve the country from civil conflict, let us pro tect its territorial integrity," he said.

Talk like this has already swift rewards. The Communist speaker of parliament, a Zyuganov ally, was invited

during Mr Yeltsin's illness. Communist-backed candidates, emphasising their administrative skills rather than their ideological nurity. have done surprisingly well in regional elections.

Even the hankers who played a crucial role in Mr Yeltsin's 're-election seem to be looking more indulgently "Zyuganov could be tha

next president, in fact he structures, nuclear technolo might even be better than gies will be shaken apart, all Chernomrydin or [Yuri] Luzhkov [the powerful active disaster, and then we mayor of Moscowl because be would be more malleable," an executive in the financiers' inner circle said.

Yet as he hits his conver-sational stride, it becomes apparent thet Mr Zyuganov's real passion is not for the languaga of social democracy. Instead, Mr Zyuganov's preferred idiom is an altogether more idiosyncratic blend of Russian messianism and information-age jargon, a vision which lies somewhere between Rasputin and Newt Gingrich.

"The world has become too small, and if humanity does not soon find a new scheme for its future then a systemic crisis, a conflict between the impoverished south and the rich north, a geopolitical crisis triggered hy the collapse of Russia -all this will bring a crisis to all international relations," Mr Zyuganov warned.

"And then there will be a planetary time of troubles: all the old conflicts, the old tensions will come back to life, the planet will be covered in ulcers, complex infra-

of this could create a radiowill repent and the forecasts of Nostradamus could come true."

Mr Zyuganov held out the hope that this apocalypse could be averted by bold, creative political leadership. Next to the slick public rela tiona machine which brought Mr Yeltsin back into the Kremlin and is putting an upbeat spin on his heart surgery, Mr Zyuganov's uncensored ramblings seem outgumed. That is why the younger, brighter operatives in the party appear to be trying to sharpen up the Com munists' act. But their leader seems

ambivalent about abandoning Slavic stream-of-consciousness for sound hites. As he proudly explains in a new book, Russia My Home-land, Russia's strength has always been its mystics, not its rationalists: "One thousand years of our history has incontrovertibly shown that we are a people of idealists, a people of dreamers, a peo

Chrystia Freeland

treasury cleared to buy Stet

By Robert Graham in Rome

Italy's centra-left governmant yasterday authorised tha immediate transfer to the treasury of the 62 per cent stake in Stet, the telecoms group, held by Irl. the state bolding com-

> The cost of the treasury purchase is likely to be approximately L12,000bn (\$7.94hn). The payment, which needs

to be finalised quickly for inclusion in Iri's 1998 accounts, will belp cancel part of the L24,000bn of outstanding deht, which the state holding company is obliged to reduce to honour a 1993 agreement with the European Commission.

The move had been widely expected following the Italian government decision this month to postpone the privatisation of Stet from February/March next year until the autumn of 1997 because of parliament's failmre to approve a telecoms regulatory authority in

This not only left Italy in breach of the EU agreen but also left iri in need of fresh capital because expec ted losses of L3,000bn for 1996 brought the capital/assets ratio below statutory

Mr Karel Van Miert, the EU competition commissioner, made it clear at a meeting with Mr Carlo Azeglio Ciampi, the Italian treasury minister, in Brussels on November

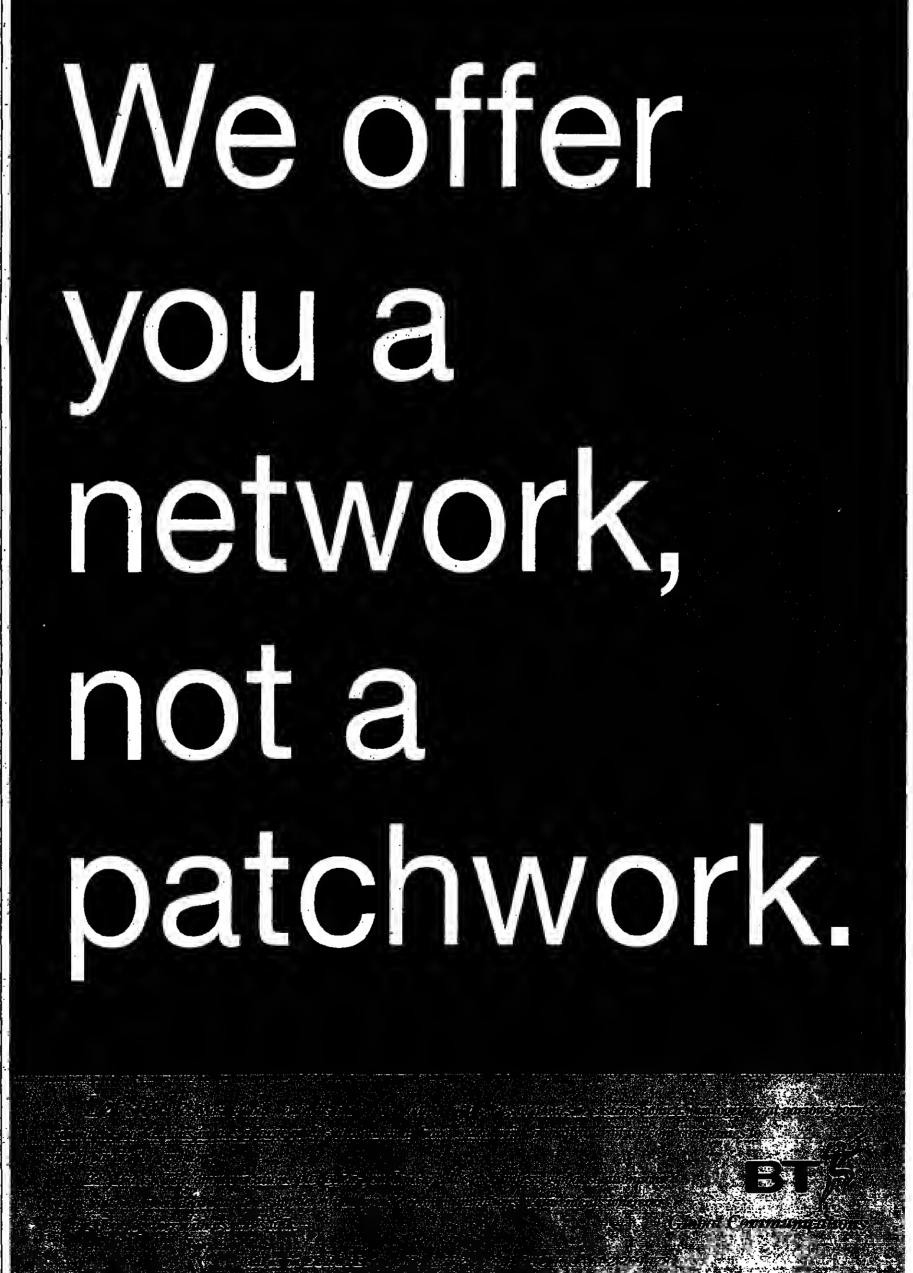
11 that postponement of the Stet privatisation would be acceptable only if the group was transferred to the treasury.

• John Simkins in Milan adds: The privatisation of Seat, the profitable yellow pages unit of Stet, moved a step closer yesterday when Iri appointed S.B.C. Warburg to advise on the valuetion of its \$1.27 per cent of Seat's ordinary shares and

Twenty-six groups - 11 industrial concerns and 15 financial institutions - have expressed interest in buying Iri's stake. The successful bidder will be obliged to make a public offer for the remainder. '

shares.

The current capitalisation of Seat as estimated by Consob, the stock market authority, is L2 342bn.



Bank regulator gives Congress a jolt Banks look to John Authers on the likely effects of this week's finance industry reforms big expansion

apitol Hill'a quest to reform the antlquated US financial services system entered a new phase this week as a federal regulator edministered a sharp jolt to squabbling congressional leaders.

Mr Eugene Ludwig, the Comptroller of the Currency and regulator of about a tbird of US hanks. announced on Wednesdey that be would allow banks to set up arm's-length subsidiaries dealing in activities such as securities, insurance and leasing. It is a significant step in dismantling the restrictions on banks' activities made by the 1933 Glass-Steagall Act.

But it will not stop the drive in Congress for more comprehensive reform. And it looked yesterday as if its main impact might be to change the focus away from Glass-Steagall and its restrictions on banks, which bave dominated debate for more than a decade

Instead it could give extra force to the efforts by the insurance and securities industries to be allowed access to banking, and to moves to update the rules covering federal guarantees of the deposit system.

Mr Bert Ely, an influential Washington banking consultant, said: "I think the second domino to fall in the process is that non-banks will come back to Congress, and they are going to ask to ba able to move straight into the banking industry. And the third domino is that a Avenue completed Washingwhole range of federal safety net issues will be forced to the table."

Mr Ludwig himsalf suggested that attempts to modernise US financial services should not concentrate with the complicated issue raised by technology, such as the protection to be given to "electronic cash" products offered on-line, and public confidence in the banks' pay-

ment system. He said: "Glass-Steagall reform would be a good thing for those banks seekthe securities business. But to say that passing Glass-Steagall reform would mod- subsidiaries". ernise the financial system is like saving that ploughing one lane on Massachusetts lated by the office of the

Defeating a legacy of the Depression



and investment banking in the US has been steadily eroded since banking regulation. However.

Depression-era legislation limitir the ability of banks to underwritt and trade securities have falled. ation limiting

ictured above signing the act in June 1933, flanked by the Carter Glass (on his right) and

 Federal Reserve gives banks powers to underwrite and trade in securities through separate subsidiaries. Business restricted to 5 per cent of these units' revenues (later raised

Treasury secretary Nicholas Brady proposes

broad overhaul of banking legislation. Ought dies after opposition from insurance and

 Recublicans take control of Concress with promise to reduce unnecessary regulation on business. Comptroller of the currency Eugene Ludwig says he is considering deregulation to me banks much broader powers.

. House banking committee chairman James Leach introduces bill to repeal Glass-Steagal

@ Banks win Supreme Court victory in battle to sell insurance. .- After opposition from insurance agents, Leach

. Federal Reserve proposes to 8tt revenue ceiling on benks' securities subsidiaries from 10 per cent to 25 per cent.

bill abandoned

Q. Ludwig adopts rule changes proposed two

ton'a snow removal effort." His rules seem likely to survive challenges intact. despite implicit criticism from the Federal Reserve, which regulates most US banks. Mr Laurence Meyer, a

branch of the US Treasury. Thesa include most of the larger regional retail banks. although not the "money centres" such as Chase Manhattan and Bankers Trust, and account for about half of on Glass-Steagall, hut deal Fed board governor, said the nation's banking assets. ger small banks to bolster

comptroller, which is a range of non-banking activities, but they can only do so by setting up a complex holding company structure. which is prohibitively expenaive for community banks. The new rules should make

The main impact may be to shift the focus to curbs on the securities and insurance industries

yesterday that the best way to provide "reasonable insulation" of banks from nonbanking risks "is by placing ing to enter more deeply into new activities in holding company subsidiaries, rather than in the bank itself or its

The new rules affect the 2,800 "national" banks regu-

It is unclear bow many banks will apply to start new operating subsidiaries, but the main beneficiaries are likely to be the smaller "community" banks, whose independence has been coming under increasing threat from the growing acquisitive regional banks. Banks can already enter a

their position by offering a

more comprehensive service. Republican leaders in both the Senate and the House of Representatives reacted angrily to the announcement, criticising it for a "piecemeal" approach, and saving there was a consensus for comprehensive reform. Mr James Leach,

chair of the House banking shifted in recent months. committee, gave the rules a broad welcome, saving that they were a step towards

financial modernisation. Mr Ludwig first floated the new rules in 1994, and had waited until after Mr Leach's first attempt to repeal Glass-Steagall collapsed earlier But congressional leaders

still want to avoid measures which appear to be undermining safeguards for depositers. This could slow the process of reform. Mr Alfonse D'Amato, chair

of the Senate banking committee, said he was con-cerned that Mr Ludwig's rules could open banks to "excessive risks", and said: 'Congress can never forget the lessons of the savings and loan crisis of tha 1980s." However, be stressed that

there was an emerging trend for comprehensive reform. Powerful figures in the fedaral government seem to agree. According to Mr John Hawke, an undersecretary of the Treasury and respected as an influential banking lawyer, said last month: "The old lines are being eroded all the time and I think as the industry develops more of a community of

"Much of the problem recently has been that legislation has focused on the immediate industry conflicts of the day. The whole focus of attention has been on plugging tha dyke. That'a why I want to focus attention on tha future."

Howevar, the angry response of securities and insurance industry lobbyists raised fears that Mr Ludwig's move could damage

The American Council of Life Insurance pledged an "all out fight" against Mr Ludwig's "power grab", which it said undermined its recent moves to nagotiate with banks over a "meaningful and workable structure for financial services It said: "The moment all

to sit down at the table, the comptroller of the currency decided to blow it up to further his own parochial inter-

The life insurance industry's attitude to reform had Editorial Comment, Page 13 increasingly made them an

with the council reversing its long-held policy of opposing bank-insurer affiliations.

But the council said yeswere ready to make peace, Mr Ludwig has decided to renew the war, forcing people into old, entrenched posi-

The Securities Industries Association said: "There must be a two-way street. If banks are allowed into the securities business, securities firms, likewise, should

Both congressional leaders and securities and insurance lobbyists predicted litigation, with many suggesting that Mr Ludwig had tried to "usurp" powers that properly belonged to Congre

However, lagal exparts auggested the comptroller would withstand legal challenges, having been backed by a series of four unanimous Supreme Court rulings over the last two years. According to Mr Rodgin

Cohen, an influential financial services lawyer with the New York firm of Sullivan & Cromwell: "The supreme court has made it very clear that they will deter to a well reasoned decision by the interest, that will accelerate. comptroller, and I think he has a very sound argument to begin with."

Lobbyists suggested that the banking industry might now end its push for reform because it bad got all It wanted from the regulators.

Judge, a vice president of tha Securities Industry Associanon, said: "One segment of the industry may now bave no incentive to continue working towards enacting legislation."

But those close to the banking industry played down these fears. Mr Cohen said: "I don't know anyone on any sida of the various dehates who believes that the ultimate solution is regulatory as opposed to legislative. I feel strongly that the right way to deal with this is interested parties were ready a fully considered legislative resolution. No hank I know believes this should be resolved ultimately as e regulatory matter." Additional reporting by

George Graham

of services

financial service providers are looking to expand their share of a financial services market that has moved away from them in recent decades, Comptroller of the Currency marks something of a break-

through. It is likely to do little, though, to affect the balance securities traders and underwriters on Wall Street. be allowed into banking." Big regional banks wel-

comed the changes, which could open the way for them to sell a far wider range of financial products through their existing branches and other channels.

Through piecemeal dereg-ulation and a series of court victories, some banks have already made considerable beadway in selling annuities, life insurance and mutual funds. But the uncertainty caused by a number of long-running court battles over insurance sales, and a costly regulatory structure that has required banks to run these activities in separate companies, has discour-

aged many from expanding their range of services.

The rule changes by the Office of the Comptroller of the Currency (OCC) "go a long, long way to making entry into these businesses far more appealing". Mr Richard Roberts, treasurer of Wacbovia, a big regional

For example, Mr Steve bank based in North Carolina, said yesterday. "It is easier to conduct business in an operating subsidiary" of a bank rather than through a separate company, he added.

First Union, another large south-east hank, said the changes would "make It easier for banks to offer a full range of financial services". It added, though, that it had no immediate plans to apply for greater powers from the OCC, "as we feel there will still be some legislative and judicial issues" to be sorted out as a result of the changes. With 56,000 branches in

the US, banks already have one of the biggest distribution networks for financial services products, which has

terday. "At a time when all For US retail banks which appealing outlet for insurance companies and others looking to expand sales.

Mr Stephen Hilbert, chairman of Conseco, a large life the move this week by the insurance group, sald his company already sold various types of health insurance through Bank of America, and was discussing sales arrangements with several of power between the big others. "We are expecting to sell a lot of products through banks," he said.

Besides selling more insurance and investment products to their retail customers, some banks also said the OCC's move would encourage them to underwrite and

US banks already have a big distribution network for financial services

trade securities. Wachovia. for one, said it would apply for power to underwrite various types of municipal securities and corporate bonds.

However, this week's move will not directly affect the US and foreign hanks that have been most ambitious in expanding in the securities markets.

The changes apply only to banks which are regulated by the Office of the Comptroller of the Currency, not those that fell under the wing of the Federal Reserve Board.

The group of OCC-regulated banks includes Citibank, the national banking arm of Citicorp, as well as most of the big regional banking groups,

US banks such as JP Morgan and Bankers Trust, along with foreign banks operating in the US, come under the jurisdiction of the Federal Reserve, which has proposed separate rule changes for them to grow their securities husinesses.

Richard Waters and John Authers

CONTRACTS & TENDERS

NOTICE FOR INTERNATIONAL TENDER

THE BRAZILIAN AIR-MINISTRY AIR FORCE LOGISTIC COMMAND DIRECTORATE OF AERONAUTICAL MATERIAL

- INVITES applications from suitably qualified companies to tender for total and/or partial overhaul services and total and/or partial repair and modification on the following alteraft:
- 09 (nine) jet-engine motors VIPPER 523
- 25 (twenty tive) jet-engine motors VIPPER 540
 02 (twenty tive) jet-engine motors VIPPER 540
 02 (twen) turbo-prop DART 533-2,
 04 (four) turbo-prop DART 535-2
 09 (nine) TURBOMECA ARRIEL 1B motors, plus their additional and TENDERS DOCUMENTS are evaluable for consultation et the Directurate of Aeronautical Material - Procurement Section, at Praça Senador Salgado Filho, s/n², 3º andar, Aeroporto Santos Dumont, Rio
- THE AWARD resulting from the International Tender shall be govern
- by Brazilian Law nº 8566/93 and shall be based on the LOWEST PRICE offered. THE OPENING of the tender envelopes will be elected by members of the Tender Commission on 26 December 1996 at 15:00 hours local time, at the Directorate of Aeronautical Material, in the presence of all

those who want to witness the act. London, 19 November 1995

NOTICE FOR INTERNATIONAL TENDER Nº 004/DIRMA/96

THE BRAZILIAN AIR-MINISTRY AIR FORCE LOGISTIC COMMAND DIRECTORATE OF AERONAUTICAL MATERIAL

INVITES applications from suitably qualified companies to tender for total and/or partial overhaul services and total and or partial repair and modification on the following sincraft: · Motors ALLISON 200C20F: 200C20; 200C18 and respective

Motors ALLISON 200C20F: 200C20; 200C1a and respective components (components could be collected separately and returned either separately or installed on the motors).
 Accessores of motors SPEY MK-8-7, according to Clause 17th of Tender Oocuments (Description of Services and Technical Specification and its attached documents 'A' and 'a').
 TENDERS OOCUMENTS ere eveilable for consultation at the Dissession of Association and the Components of Association and Components of Compone

Directorate of Aeronautical Material - Procurement Section, at Praça Senador Salgado Filho, sin", 3' ander, Aeroporto Santos Dumont, Rio de Janeiro , RJ. Documents could be obtained for a non-refundable of PS 150.00.

THE AWARD resulting from the International Tender shall be governed by Brazilian Law nº 8986/93 and shall be based on the LOWEST

THE OPENING of the tender envelopes will be elected by members of the Tender Commission on 26 December 1996 at 16:00 hours local

those who want to witness the act. London, 19 November 1995

The Financial Times plans to publish a Survey on

time, at the Directorate of Aeronautical Material, in the presence of all

French Finance & Investment

on Monday, December 10

For turther information please contact: Lindsay Sheppard (London) Tel: +44 (0)171 873 3225 or Fax: +44 (0)171 873 3204

Paul Maraviglia (Paris) Tel; +33 53 76 82 51 or Fax; +33 53 78 S2 53 of your usual Financial Times representative

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984 The Secretary of State hereby gives notice as follows. 1. He proposes to grant a licence under the Telecommunications Act 1984

("the Act") to Telewest Communications Ltd ("the Licensee") to run telecommunication systems throughout the United Kingdom. The license will be for a period of 25 years subject to earlier revocation in specified 2. The principal effect of the licence will be to enable the Licensee to install

and run telecommunication systems throughout the United Kingdom. The Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The license authorises authorises connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international satellite service. Subject to any determination by the Director General of Telecommunications, the Licensee is required to install and run its systems so that it can meet all reasonable requests for the provision of those service required to be delivered under any Licence granted under Part II of the adcasting Act 1990. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director, the Licensee may be obliged to make available those telec exvises to all who reasonably request them within that area. The Licence provides, however, that the Licensee is precluded from providing certain telecommunication services in any area in which, and for so long as, the Licensee or any undertaking in respect of which the Licensee is either the parent or a subsidiary bolds any other individual licence granted or to be

The licence will be subject to conditions such that section 8 of the Act will apply so it, thereby making each of the systems run under the licence eligible for designation as a public relocommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecon

 The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because be considers application from the Lucennet for such a fuence because the considers that will help to tastisfy demands in the United Kingdom for the provision of services of the type authorised (including in particular cable television services) will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of relecommunication services in that area; and the application of the Telecommunication

He proposes to apply the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensee will have duties: (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) in install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alte

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers; (d)to keep and make available records of the location of underground

apparatus and copies of the exceptions and conditions to the licence to its vers under the Code; and (e) so ensure that sufficient funds are available to meet certain Labilities arising from the execution of street works.

The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the stantary powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licence. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are sidered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically a

estible, and that the Licensee can meet (and relevant persons can enforce) possible, and that the Licenses can under liabilities arising from the execution of works. 8. Representations or objections may be made in respect of the propos icence, the application of the Code to the Licensee and the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 23rd December 1996 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.57 Grey, 151 Buckingham Palace Road, London SWIW 9SS. Copies of the proposed licence can be freely obtained by writing to the Department or by calling 0171-215 1756.

Anthony Eden-Brown Department of Trade and Industry

Mexico third-quarter GDP up

By Daniel Dombey in Mexico City

A surge in industrial activity helped Mexico to record an unexpectedly big increase in gross domestic product for the third quarter of the year, according to official figures published yesterdey. However, a shrinking trade surplus

indicated that the recovery is becoming less export-oriented. GDP between July and September increased by 7.4 per cent when compared with the same period a year before, about a percentage point more than many analysts' expectations, with the manufacturing and construction

sectors increasing by 13.9 per cent and

24.9 per cent respectively.

1995, when Mexico suffered its worst recession in half a century, means that even quite small increases in economic cent compared with the same month a activity can seem large in percentage

Many economists expect an increase of between 4 and 5 per cent for the year had eppreciated in real terms and as as a whole. "What we are looking at is the domestic economy had begun to a good solid recovery, but despite the percentage increase It is not a spectacular one," said Mr Ernest Brown, an economist at Morgan Stanley in New

Despite preliminary trade figures for October showing exports of \$9.2bn, the Porzecanski, chief economist for highest monthly level ever recorded. the month's surplus of \$277m was York

The year-on-year comparison with about the lowest since the first months after the 1994 peso devaluation. Imports of consumer goods rose 50 per

> year ago. Economists said that the country'a trade surplus had fallen as the peso recover.

> What is important is not the size of future growth but the nature of the growth. It is unclear if growth will remain export based or become more consumer-orientad," said Mr Arturo the Americas at ING Barings in New

for \$15.6m

By Antony Thomcroft



Christie's in New York on Wednesday evening, the highest price paid for a year. It was the first time that a contemporary painting had broken through the

\$10m barrier since 1989, and

suggests that confidence is surging throngb the art market. De Kooning, who is 92, painted "Woman" in New York in 1948, and his blend of the figurative with the abstract in the most garish of free-flowing colours created a minor sensation. "Woman" was taken as a comment on American wom-

anhood, and ber animal sex-

uality was not regarded as

totally flattering. De Kooning holds the auction record for any living, or contemporary, artist: bis "Intercbange" made \$20.6m in 1989, at the market's peak. Christie's was expecting np to \$12m for "Woman". It was the highlight of a succesaful sale of contemporary

\$34m with 53 of 61 lots sold. Thirteen came from the col-Willem de lection of the law bolds
Kooning's Leavitt. All sold, for \$18.8m,
painting way above an estimate of
"Woman" \$12.6m, setting a record for painting way above an estimate of \$12.6m, setting a record for sold for a single-owner collection of size's in New York tion. Philip Guston's "Beggar's Joys", also owned by Leavitt, made \$1,7m.

> A comic book painting by Roy Licbtenstein went for \$3.9m. but an oil and silkscreen by another pop artist, Robert Rauschenberg, was disappointing at \$772,500. There were artist records for Hans Hofmann - \$750,000 for "Gloria in Excelsis", and for Josef Albers, \$662,500 for "Study for Homage to the Square",

Sotheby's anction on Tuesday went quite well hnt brought in only \$11.2m. A hig disappointment was the failure of Francis Bacon's "Seated figure on a couch" (estimated at up to \$2.5m) to find a buyer, but there was consolation in the \$2.1m paid for "Forest scene" by Lichtenstein, which comhines his interests in German expressionism and woodcuts, and the \$1,43m which secured "Bolsena" by Cy Twombly, a mass of penart which totalled almost cil and crayon lines.

De Kooning's | More aid urged 'Woman' sells for indigenous Canadians

A commission of inquiry into Canada's aboriginal people has urged the authorities to set aside massive extra funds for aboriginal development and to grant indigenous communities wider political powers.

The commission's 4,000page report, published yesterday, represents the most exhaustive study yet undertakan of the social, political and economic challenges facing the aboriginal population, which includes dozens of North American indian groups, such as the Cree, Micmacs and Mobawka; Inuit (Eskimoes); and vari-

ous mixed-race communities. Canada's aboriginal populatioo is just over Im, or about 3 per cent of the total. However, aboriginal issues bave enjoyed a disproportionately bigh profile in recent years, partly reflecting the emergence of a

more activist leadership. These issues range from high rates of unemployment. alcobolism and suicide on remote native reserves, to especially in western and sible.

ರಾರ್ವಜ್ಞಾನ ಕಾಲ್ವಾ ಎಂಟ ಕ್ರಾಪಾಸಿಕ ಕಾಲಾಗಿಗಳು

Canadian businesses have also paid closer attention to aboriginal communities as they gained control over large amounts of money and natural resources, thanks to

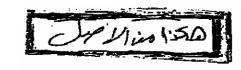
land claim settlements. The royal commission urged Canadians to acknowledge past mistakes in dealing with aboriginal people, and to build a new relationship with them.

lts 440 recommendations include the creation of a new chamber of parliament, to be known as the House of First People, a permanent commission to review aboriginal issues, and a greater measure of self-government for local communities. It proposes the federal government and the 10 provinces lift aboriginal-related budgets from about C\$13hn (US\$9.7bn) to C\$15bn a year

The emphasis would at first be on economic and social infrastructure, followed by extra funds for

for at least 15 years.

land claims settlements. Mr Ovide Mercredi, chief of the Assembly of First Nations, a group of oborigiahoriginals' increasingly nal leaders, urged the govassertive claims to jurisdic- ernment to implement its tion over vast tracts of land. proposals as quickly as pos-



NEWS: WORLD TRADE

Would-be members queue at Apec door

By Edward Luce and Guy de Jonquières in Mazila

The Asia Pacific Economic Co-operation forum yesterday took the first steps towards enlarging the 18member grouping to embrace as many as 10 mainly poorer Asian and Latin American countries and possibly Russia. Decisions on which epplicants should be admitted, when and on what terms, are likely to provoke political controversy among members of the group, which already includes countries as diverse as the US, China, Japan. Mexico and Papua New Guinea.

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The state of the

Debate is likely to centre both on how many of the 11 applicants meet broad market access criteria recently agreed by the grouping's members and on bow far Apec's geographic spread should extend beyond the Pacific Rim.

South-east Asian countries are pressing hard for the early admission of Vietnam. which recently joined the Association of South East Asian Nations (Asean). However, Vietnam is by far the poorest nation in Asean and has one of the most closed economies in the region. Vietnam's entry would also bring in a second communist member to the free trade grouping, which already includes China.

Pending applications from India, Pakistan, Sri Lanka and Mongolia raise questions over Apec's geographic coherence because, unlike all existing members, none of the four countries has a Pacific coastline. While Russia does border the Pacific, it often likes to present itself as a European power.

Some of the applications may be resisted on political grounds. The US, for example, is thought to have reservations about approving Colombia's membership while President Ernesto Samper's government remains in

Observer, Page 13

Brussels claims Washington is undermining efforts on technology pact

EU accuses US over IT deal

By Neil Buckley in Brussels and Guy de Jonquières in Manile

The European Commission yesterday accused the US of undermining efforts to reach an international agreement to remove tariffs on information technology (IT) prodncts, by trying to exclude important categories of

goods. Only a month before the ministerial conference of the World Trade Organisation in Singapore, the Commission nology agreement.

But in remarks clearly aimed at the US it said it minutiae at this stage." was concerned about demands made by major appointment about lack of

exclude key IT products". The US angrily rebutted the Commission'e accusanology agreement (ITA), calling them "inexplicable, bizarre and ntterly without foundation".

"This is a ridiculous assertion," a spokesman for the US Trada Representative's office said. He conceded that tbere were "tensions" between member countries of the Asia Pacific Economic Co-operation (Apec) forum warned all potential partners over the timing of an agreethat time was running out to ment. But he said: "Product reach an information tech- coverage is not an issue that will stem progress towards, or scuttle an ITA. This is

The US has signalled dis-

unity over ITA proposals

among Pacific Rim countries US wanted the four product ahead of the Apec summit about to be held in Manila. tions that it was trying to But the European Commisdelay an information tecb- sion yesterday pinned the blame squarely on the US for putting an agreement in jeopardy.

"Some of us are beginning to wonder whether the US is really interested in or capa-ble of reaching an agreement in Singapore," said one offi-

The EU official said the US, under pressure from producers, was trying to exclude "certain key products" from an agreement – notably capacitors, fibre-op-tic cables, photocopiers and graphic display tubes, used in large computer monitors. In Manila, the US Trade

product coverage is a constantly evolving process. The US is receptive to ideas from other countries, just as they would welcome ideas from us and others," he said. In a message directed to the Apec summit, Sir Leon

ment needed to pnt aside "narrow sectoral interests". "To succeed, the ITA needs broad coverage, both geographical and product-wise," Sir Leon added. "Any request by any participant to exempt products from coverage can only invite others to do the same. The major industrialised countries,

the EU have to set an examcategories excluded from an ITA. "In any negotiation, ple for others to follow."

The Commission is pressing for agreement to remove duties on all IT products, including computers, software, office machines, semiconductors and telecoms

Privetely EU officials accused the US of being slow Brittan, the EU trade commissioner, warned that all to respond to European proposals, while at the same participants in a tariff agreetime putting pressure on the EU to accelerate removal of its own tariffs on IT products. They said they were "amazed" to see the US epparently blaming Apec countries for blocking an agreement. "We bave received assurances from most Apec countries that they want e comprehensive including in particular

WORLD TRADE NEWS DIGEST

US in patents row with India

The US has taken India to the World Trade Organisation over its failure to meet commitments on intellectual property rights protection agreed under the Uruguay Round. India has agreed to the formation of an arbitration panel to resolve the dispute. The US has long signalled the move, after India failed to pass legislation to establish a "mailbox" system for lodging patent applications, a precursor to installing full patent protection, and exclusive marketing rights for patented goods, also in

advance of full intellectual property rights legislation. The US also complained that India fails to provide patent protection for pharmaceutical or agricultural chemical products. US pharmaceutical industry groups have branded India one of the world's worst offenders on pharmaceutical patenting, alleging lack of proper intellectual property protection costs US pharmaceutical groups up to \$2bn e year in lost sales. India'e lower bouse of parliament has passed the necessary legislation on patents but the measures were blocked last year by the Mark Nicholson, New Delh

Hungary seeks TV bidders

Hungary yesterday published draft tenders for two national television stations and said the minimum fee for each of the 10-year concessions would be Ft8bn (\$50m). Final documents for the much deleyed tenders, which are for frequencies and operating licences, will be released after bearings with potential investors on December 11.

The privatisations have attracted strong interest from western media groups, which have expanded rapidly into the former East bloc. Although a pioneer of market-led reform in the region, Hungary is one of tha last to privatise the sector, in part because of fears that broadcast media will be swamped with foreign programming at the expense of local traditions

The national television and radio authority, which is organising the tenders, said programme quality and local content, as well as price, would be among the criteria. One of the frequencies on offer is at present used by MTV2, the second national channel; the other was

formerly a Soviet army channel. MTV1, the main station which last year ettracted more than half of television viewing, is to remain in state Virginia Marsh, Budapes

China-Vietnam rail links

China and Vietnam will start a second cross-border rail service on December 6, a Vietnam Railways official said yesterday. The 761km route will link Hanoi with Kunming, the capital of China's south-western province of Yunnan and will run through the northern Vietname border town of Lao Cai.

Two trains will run each week on the Hanoi-Kunming route, carrying an estimated 300,000-400,000 tonnes of freight. Both sides agreed on a second service after the inauguration of a line linking the Vietnamese capital with Nanning, in Guangxi province, in February.

Relations have warmed between the two former enemies, who fought a brief border war in 1979 that severed rail links. A top Chinese politburo member, Mr Qiao Shi, left Vietnam yesterday after a series of meetings with the Vietnamese leadership designed to promote economic ties and dialogue between the two countries' communist parties. Jeremy Grant, Hanoi

Thailand fires up power suppliers

Representative official declined to say whether the

How Bangkok secured \$6bn commitments is a case study, writes Ted Bardacke

nearly \$6bn of private investment in power generation took industry analysts by surprise last week.

For a country where government contracts for infrastructure development have been frustrating for private companies and financial institutions backing them, the success so far of the country's Independent Power Producer (IPP) scheme is startling.

Eighteen months after eccepting bids to supply 4,400MW hy 2002, Thailand's state-owned Electricity Generating Anthority of Thailand (Egat) is committing itself to having at least 5,472MW by 2003 from six consortia.

The decision to increase the amount of power purchases was simple, Egat offi-

Despite a slight fall in the projected rate of growth in

¬ be ease with which 13,400MW – these consortia the bidding and was the ulti-ders even more," says Mr ers are complaining that Thailand secured will provide electricity at mate purchaser of power, commitments for costs of about Bt1.40 (5.5 US cents) per kilowatt hour, lower than Egat would have to spend generating electricity for itself.

Once Egat figured out it could increase transmission capacity quickly enough to handle the extra power, locking in private developers at such low prices was a "no-hrainer", according to one senior energy official. How Thailand got into

such an enviable position when IPPs in such countries as China, India and the Philippines have been subjected to continual wrangles is a case study in how to structure a competitive government bidding process, analysts say. "The Thai energy regula-

tory system, while still in a stage of development, is more mature than most other places in the region," says Mr Joseph Jacobelli. regional power industry anaelectricity demand - 9.5 per lyst with ING Barings in "With so much capacity for the IPPs will be only companies will cent a year for the next Hong Kong. He explained offered, Egat had the upper about 15 per cent, according ger see That decade from a base of that while Egat co-ordinated hand and squeezed the bid-to Mr Kuitioff. Already bank- as too risky.

there was an independent regulatory body, the National Energy Policy Office (Nepo), that looked over the entire process.

Splitting the operator and the regulator - this is exactly the way it should be going," Mr Jacobelli says. The bidding structure was also crucial. Egat did not specify where it wanted power plants built, their size

more than 30,000MW, putting Egat in a strong position to negotiete after it short-listed bidders based on

factors 40 per cent.

Gerard Kuitioff, energy anawhile the deals are well structured, they are feeling lyst at Deutsche Morgan Grenfell in Thailand. Some the squeeze as well. apparent wavering on the "We're being asked to provide maturities we've never amount of power Egat would buy was actually a negotiaseen before at margins that would be unacceptable even ting technique designed to gain further concessions in mature European mar-

from bidders, he says. While Egat played hard on price it was flexible in other areas. Suggestions from energy companies about bow to structure a hankable or fuel type, leaving that to power purchase agreement bidders, creating a fully comagreed to bear the full hrunt enhanced flexibility and cre- of any fuel price increases. Nepo took on the crucial

task of forcing the statethan 60 proposals supplier to treat all custom-from 30 consortia for ers equally and guarantee gas supply by increasing wholesale purchases from concessionaires operating in the Gulf of Thailand and to a formula where electricity source liquefied natural gas price accounted for 60 per from Oman.

cent of the scoring and other chase price, return on equity "With so much capacity for the IPPs will be only companies which will no lon-

player in Asian project finance will push to provide were heeded and Egat a slice of the immense amount of capital needed. Power companies will certainly come back for more next year when Egat opens

another round of bidding -

for 4,000MW to be delivered

Bank in Thailand.

kets," says Mr Jan Cherim,

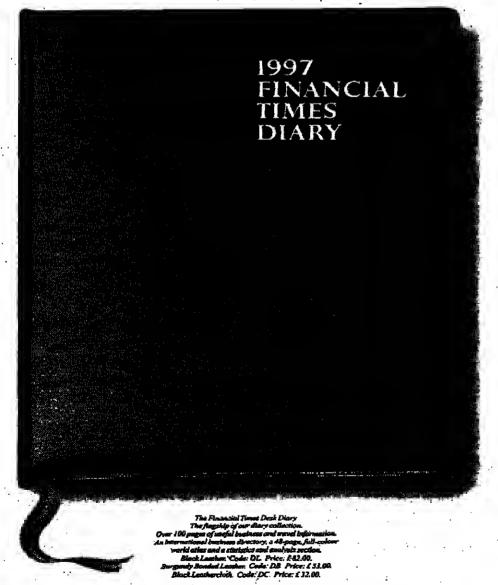
general manager of ING

Nevertheless, any hank

that wants to be a serious

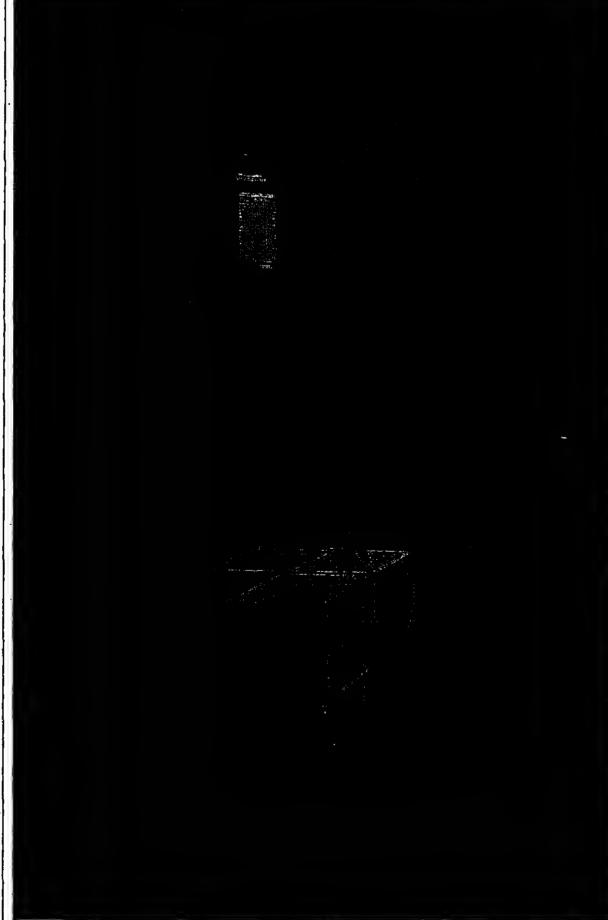
between 2004 and 2006. Existing IPPs are likely to have an advantage, but they will face competition from a troika of emerging regional companies such as Cepa of Hong Kong and YTL of Mal-Given the low power pur- aysia, bidders which lost out this time, and more western ger see Thai energy projects

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Probably the best beer in the world.

Tokyo acts to clear financial wreckage

Hanwa's forced demise shows a break with past policy on 'dud' banks, writes William Dawkins

ment yesterday showed it was serious in its aim of dismantling the state guarantee against complete fallure that has, for most of the post-war era, cosseted the banking system

For the first time in living memory, the finance ministry ordered an insolvent bank to close. Hanwa Bank's enforced demise marks a significant break with past policy of closing "dud" banks only to revive their operations under a different name, artificially sustained by rich parents, compliant partners or state rescue

Hanwa will be liquidated by a state body to be set up to preside over its end, its depositors will be paid off and it will never resume business. Its 850 staff may even be sacked.

All of the 11 credit associations and credit unions and two regional banks to have succumbed to bad propertyrelated loans over the past two years have continued to trade in some form, even if only to try to collect debts or sell collateral.

In that sense, the Hanwa closure was widely welcomed as a step forward in wbat bas often seemed a muddled official attempt to nation of the functions of the clear the detritus left by the Japanese financial system," under-estimated their probcollapse of the asset price said Mr Yasuo Matsushita, lem loans and could colborrowers, an Osaka propJapanese banks at the end of unrealistically rosy picture.

The Philippine congress

yesterday approved beavy

"sin taxes" on beer and

tobacco. These are expected

to raise 6.1bn pesos (\$235m) a

year and give a strong boost

to the government's fiscal

The vote is seen as a

defeat for business oppo-

nents of the measure, among

them Mr Lucio Tan, the

President Fidel Ramos.

who had urged members of

congress opposed to the tax

to "behave like statesmen

Chinese businessman.



Credit Bank operations of both taken over by Tokyo Kyodou Benk (now Resolution and Collection Bank teken over by Kita Kyushu Yahata Shinkin Bank alhelyo Bank Wakashio Bank

established to carry on business

Sanyo Credit Union and Kenmin

Daiwa Credit Union: both taken over by Danyo Credit Union

Museshino Shinkin Banic streothed

by Oil Shinkin Bank, while selling branches to other banks

Harwa Bank ordered to suspend

most operations by Finance Ministry

the central bank governor.

While the big commercial banks have largely provided

for their bad debts, there are

still believed to be several

small local banks that have

ond largest beer interest,

Asia Brewery, had evaded

up to \$1bn under the exist-

ing tax system, which is

based on the production

Government lawyers,

whose efforts to prosecute

him were defeated in the

supreme court earlier this

year on a technicality, allege

Mr Tan set up "ghost" mar-

keting arms to minimise tax

payments. The government

is appealing against the rul-

Under the new legislation,

which will take effect from

January 1, excise taxes will

Tan, who owns the country's be imposed on the retail can expect a level playing

costs of beer and tobacco.

Sampule: Credit Co-operation declared bankrupt by Osaka

Yuri Credit Union: operations taker over by Kanagawa prefectural labour credit association

Cosmo Credit Corp: operations taken over by Tokyo Kyodou Bank Kizu Credit Union: operations taken over by Resolution and Collection Bank

Hyogo Bank Midori Bank established to carry on operations Fukui-Kan Dai lehi Credit Union: merged with Futuri Bank

bubble five years ago. "Prompt measures to deal with insolvent financial institutions without delay will lead to the early rejuve-

tomorrow before he greets

heads of state arriving for

the 18-member Asia Pacific

Economic Co-operation

(Apec) summit. He consid-

ered passage of the bill to be

The measure, urged on the

Philippines by the Interna-

tional Monetary Fund as

vital to achieving regular

budget surpluses, was

passed unchanged despite

congressmen in the lower

The government claims Mr

for once in your lives", plans largest tobacco company, price of beer and tobacco at field."

bouse, and from Mr Tan out-

country's foremost ethnic strong opposition from

a symbolic test of the coun-

try's political maturity.

warning. None is big enough to shake the industry but their existence impedes an overcrowded and high-cost banking system's attempts to become more efficient.

This shows the finance ministry is now pushing ahead with getting rid of the problem banks. There are more to come," said Mr Brian Waterhouse, financial analyst at James Capel

"It is at the very least at attempt to show change," said Ms Alicia Ogawa, head of equity research at Salomon Brothers Asia.

The closure of Hanwa. while a surprise, is part of a trend in that direction, starting last June when the ministry wrote to all banks warning them it would intervene if their equity fell below 4 per cent of assets (which compares with nearly 6 per cent for the least unhealthy Japanese banks). It was the first time it had set a specific benchmark below which banks would be

considered in trouble. The next sign of an official get-tough policy came earlier this month when the state body charged with disposing of bankrupt housing loan companies warned that it would also force the bankruptcy of one of their main

"We are delighted with

congress for passing the

measure because it will

boost budget revenues and it

will send the strong message

that the Philippine govern-

ment will not allow one com-

pany to get an unfair advan-

tage over its competitors,"

said Ms Milwada Guevera,

undersecretary of state for

"From now on businesses

tax base.

finance.

lapse. Hanwa-style, without arty developer. The threat last March, some of them was carried out and the property group. Sueno the full story. Kosan, was declared bankrupt in court last week.

> week by Mr Ryutaro Hashimoto, the prime minister, of late 1980s economic boom wide-ranging financial system reforms over the next five years is another mark of the government's willing southern Osaka as land ness to open the system to market forces. Finance ministry officials at the time warned that the weakest financial institutions would be allowed to collapse in the burst of competition that the

reforms would unleash.

It is not, however, trua that the Hanwa closure was planned. Mr Sei Nakai, depfinance ministry's banking bureau, pointed out that the government'a hand was forced by the fact that Hanwa was due today to results, which would make plain that it was insolvent. Hanwa's road to ruin is an all too familiar story of financial hubris and neme-

But it does highlight a relatively new risk in the Japanese banking system. In spite of banks' efforts to come clean over their bad debts, officially estimated at Y35,000bn (\$315bn) for all

Hanwa, based in Wakayama, near Osaka, found The announcement last itself short of industrial lending business as Japan's took off. It responded, like several other local banks, by lending to land developers in prices started to rocket.

The first sign of real trou-

ble emerged last year, when Hanwa had to bail out two landing affiliates, forcing itself into a Y15.7bn net loss. Last March, it said that uncollectable loans had risen to 12.5 per cent of lending four times the average for regional banks - and that it uty director general of the had provided for less than a quarter of the bad debts.

A finance ministry audit in the autumn found the situation was really far worse, with all categories of bad loans at 17 per cent of lending, or Y80bn. Of that, Y40bn was deemed to be genuinely uncollectable, roughly twice the bank's capital. As James Capel's Mr Waterhouse points out, the

finance ministry's inspectors deserve credit for discovering Hanwa's true plight. But this only invites the

uncomfortable question of bow many other amail banks' accounts giva an ASIA-PACIFIC NEWS DIGEST

HK fire rules under scrutiny



Hong Kong fire and safety regulations in older buildings came under scrutiny yesterday after at least 39 people were killed in a fire at a commercial high-rise building on Wednesday night. The territory's legislature has already been examining legislation to tighten regulations. There is at present no legislation to force owners of old buildings to follow current standards or to bring their properties up to current standards. The 16-storey block gutted in the fire was built before 1973 and so falls outside the scope of existing

egislation. This sets requirements for sprinklers, smoke ectors and other fire prevention equipment. Many older buildings have few anti-fire devices. Mr Chris Patten, Hong Kong's governor, said the fire

underlined the importance of passing the safety bills at present before the territory's Legislative Council. It took more than 20 hours to extinguish the fire, which happened in a building on Nathan Road on the "Golden Mile", the shopping and tourist district on the Kowloon John Ridding, Hong Kong

Seoul mends ties with Vietnam

South Korean president Kim Young-sam was scheduled to leave Vietnam today after a two-day visit confirming that Hanoi's growing economic ties with Seoul overshadow its deological loyalty to communist North Korea. Mr Kim is the first South Korean president to have

visited Vietnam since the two countries normalised relations in 1992. Ties bad been frosty ever since South Korea sent 300,000 troops to belp the US-backed war effort in Vietnam in the 1970s.

"They have kept the usual relations (with Pyongyang) but in fact they understand that South Korea is more important in terms of foreign relations," said one South Korean foreign ministry official. South Korea ranks third behind Taiwan and Singapore with \$2.3bn of approved deals. It is Vietnam's third largest trading partner.

Agreements were also signed under which Seoul would provide assistance towards establishing a trial stock exchange in Vietnam and technical belp for construction of a nuclear power plant which Hanoi hopes Jeremy Grant, Hanoi

Australian budget bills passed

Australia's conservative federal government had a fillip yesterday when three budget bills were passed by the Senate, where it does not have a majority. The supply bills, which contain departmental cost-cutting me passed through the Senate virtually unscathed, in spite of efforts by minor parties to make changes. This parliamentary session - notably in the Senate - has been seen as a big test for the government. But the government has this week succeeded in getting its new labour market laws passed, as well as a family tax package promised during the March election, However, legislation to allow the partial privatisation of Telstra, the large government-owned telecommunications group, remains contentious, and is likely to hinge on the votes of two independent senators.

Bangladeshi bank chief fired

Bangladesh's central bank governor, Mr Khorshed Alam, has been replaced after a report found him lax in dealing with irregularities at the bank, Mr Shah Kibria, tinance minister, said yesterday. He will be succeeded by Mr Luttur Rahman Sarkar, a career banker. The changes at Bangladesh Bank came as trading was suspended in the Dhaka Stock Exchange yesterday as brokers and investors felt uneasy following clashes on Wednesday between kerb market operators and police. An official of the exchange said: "Brokers and their authorised assistants felt insecure, while the turnout of traders and investors was very thin." The all-share price index closed 2.73 per cent down at 3,298.04 on a turnover of Tk166.4m (\$4m) on Wednesday.

Assassins burst into a county magistrate's home Nationalist party, died in hospital after being shot in the

Justice Minister Llao Cheng-hao recently said that crime gangs had infiltrated Taiwan's business and

Philippine 'sin taxes' approved |Slower Indian growth upsets to sign the bill into law Fortune Tobacco, and its sectomorrow before he greets ond largest beer interest, tem will raise almost half the projected gains from an overall tax package which fiscal forecast includes a broadening and simplification of the income

By Mark Nicholson in New Delhi

India's industrial growth is continuing to slide, according to latest official figures. For the first time government officials have indicated the slowdown could contribute to a higher-than-targeted fiscal deficit for the year ending in April.

Government officials quoted in the Business Standard newspaper yesterday indicated the slowdown. combined with an expected shortfall in budgeted earnings from sales of state assets and higher expenditure, particularly on defence, could see the fiscal target slip to 5.3-5.4 per cent

Indian industrialists are also gloomier about immediate prospects of an upturn. according to a survey by the Confederation of Indian Industries (CII), the business

Official production estimates covering 24 sectors showed that industrial growth in September fell to 3.2 per cent against 3.9 per cent a month earlier. This cut cumulative growth for the period from April to September to just 4.8 per cent against 12.8 per cent for the same period last year.

The chief culprits were a 10 per cent fall in crude oil output, a result of production difficulties in India's two main offshore oilfields, continued poor growth of electricity output, which rose just 2.6 per cent in April-September, down from 10.9 per cent growth for the in prices for the time being.

period last year, and a slumn in fertiliser production. Though manufacturing growth has continued above

10 per cent for the period. businesses polled by the CII cited inadequate rises in power generation and other infrastructural bottlenecks as constraints on growth.

They also cited poor availability of credit and high interest rates - both partly a legacy of the previous government's tough anti-inflation policies and high government borrowing last

Mr B.B. Ramaiah, commerce minister, is forecasting improved export growth, which has slumped in the of gross domestic product, first half to just 9.9 per cent from the desired 5 per - half of official targets and well below last year's growth of 26 per cent.

Non-oil import growth, a measure of Indian industry's appetite for inputs and capltal goods, is now a negative 3 per cent. Rising oil imports, and

higher crude prices, are causing concern, with oil imports up 42 per cent in the first half over last year. The petroleum ministry has already estimated this will add \$2bn to India's oil

year, taking it to \$9bn. This will add pressure on the United Front government to raise petroleum product prices for the second time in its five-month ten-

products export bill for the

· Stung by strong opposition to rises of 15-20 per cent for petrol and diesel earlier this year, the cabinet on Wednesday ruled out a further rise

Taiwan magistrate shot

yesterday, executing him and seven other people in one of Taiwan's most violent crimes in memory. Taoyuan county magistrate Liu Pang-yn, a member of Taiwan'a ruling

political circles and even parliament, triggering lears of underworld reprisals. In August the Justice Ministry launched a crackdown on scores of criminal

gangs. World Stock Markets, Page 36

Old guard's plans for smooth transition are being frustrated

Hanoi reopens succession issue

By Jeremy Grant in Hanol

ben the wife of Vietnam's prime minister, Mr Vo Van Kiet, slipped into an elite clinic near the Ho Chi Minh mausoleum this week, she was not there for a routine check-up. Her mission: to check her 74-year-old husband's medical records after another figure in the country's ruling troika, President Le Duc Anh, was incapacitated by a stroke last week. Mr Anh's doctors say he is

too ill to resume his duties. Her concerns are a sign that the 75-year-old president's condition has concentrated the leadership's collective mind on its frailty at a time when it least expected

Only four months ago, the Communist party's fiveyearly congress voted to retain the general secretary, Mr Do Muoi, 80, Mr Kiet and Mr Anh in their positions after failing to agree on suit-

by the top three in the country's ruling politburo to state sector and nascent priyounger blood. Instead, Mr Anh's illness has unexpectedly reopened the succession

The question of who will replace the president dominates Hanoi's gossip-ridden café society and complicates decision-making in its it does not imply any radical year-old raform process, known as doi moi. Instead, it is likely to set

tha tone for the pace of

reform over the next few years. The emphasis is likely to be on incremental changes, diplomats say. "I have the feeling power is more and more diluted and

Vietnam has not responded adequately to forelgn investors' concerns cating the auccession issue. about the need for a rule of through with corruption. Nor has it convinced the World Bank and others

vate businesses, which face discrimination Donors and investors are

watching to see bow it handlee the latest leadership dilemma. Under Vietnam'a constitution, the country's vice-president, Ms Nguyen Thi Binh, assumes the duties opaque political system. But of the president if the incumbent is incapacitated. But change to the country's 10- she is not a member of the powerful Communist party central committee and is unlikely to succeed Mr Anh. Names bandied about as

possible successors include Mr Nong Duc Manh, National Assembly chairman, and Mr Nguyen Manh Cam, foreign minister. Mr Cam was to have succeeded feudal," one diplomat added. to the presidency at the party congress had his deputy Le Mai not died, compli-

A new president could be law in an environment shot selected by the politburo, then approved by the National Assembly standing time for a smooth transition elling the playing field Vietnam's parliament. That with foreigners.

other positions, including those of premier and presi-

dent, are re-elected. Meanwhile, observers are watching the military, party and government factions vying for dominance in the political atructure. This could signal whether Vietnam wants to maintain the current pace of reform or slow it down.

Although the government is backed by the reformist premier, Mr Kiet, and was recently boosted by the appointment of technocrats to top ministerial posts, party control over policymaking is still decisive.

Ultimately, military figures may have a pivotal role. Their representative is Mr Le Kha Phieu, a protégé of Mr Anh who was elevated to the inner core of the politburo at the party congress. His role is to strengthen party ties with the military and spur military economic committee before formal rat- activity through manufac-This was supposed to huy about its commitment to levification by the assembly. turing and joint ventures

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S Africa raises bank rate to 17%

By Roger Matthews in Cape Town

The South African Reserve Bank yesterday raised its bank rate by I point to 17 per cent. The move was quickly followed by the maincommercial banks, which Industrials were worst hit. put up their prime lending the sector index dropping 97 rates by a similar amount to

just over 20 per cent. Mr Chris Stals, the governor of the Reserve Bank, said monetary policy had to be tightened because of the "serious threat" of worsening infistion caused by the "cumulative and excessive depreciation of the rand".

the dollar to close at R4.61. But prices suffered on the Exchange, with the all-share index down 76 to 6,774. to as little as 2 per cent.

to 7,980. The governor's move will be politically unpopular because the interest rate increase seems certain to damp economic growth which was already slowing. Mr Trevor Mannel, the minister of finance, still believes the economy will

dicting soccessive interest central bank money in this institutions. Johannesburg Stock rate reductions, have low- situation," said Mr Stals. ered their forecasts for 1997 The government is com-

> which point it should begin to make inroads into the offiserious level of crime. Inflation has risen from an

April to 9.1 per cent in Octo-ber, with the full effect of

He said both bank credit and the money supply continued to rise at unacceptmitted to achieving a growth ably high levels and the defirate of 6 per cent by 2000, at cit on the current account, although narrowing, was not more stable exchange rate. covered by net capital But he said unless the

cial unemployment rate of 33 inflows. This meant liquidity moment was seized South per cent, largely blamed for was drained from the money Africa would be faced by market, and in November the average daily shortage lower growth, which would amnual rate of 5.5 per cent in had exceeded R9bn (\$1.98bn). This left Mr Stals with the ment's medium-term eco-internal fin "suicidal" choice of injecting nomic objectives. "Decisive he warned.

The rand benefited from grow by 3 per cent this year, the rand's depreciation yet more money into the system, the interest rate increase, but several private sector to be felt. "It would be a or raising bank rate, the rate improving by R0.05 against economists, who nine suicidal approach for the at which the Reserve Bank months ago had been pre- Reserve Bank to create more lends overnight to banking

> consolidation which could provide an opportunity to restore equilibrium to the balance of payments, and a But he said unless the still higher inflation and mean collapse of the govern-

ment push through at least

its original Shk4.9bn (\$1.5bn)

spending cut proposals in next year's budget in order to reduce the current

account deficit and tighten

the government's expansion-

Economists are sceptical

about Mr Netanyahu'e abil-

ity to push through even

Mr Stals saw the economy now moving into a period of

bank is insisting the govern- foreign investors shying

restore both external and

away from Israel. It is already happening. Although they represent

only 10-20 per cent of the

normal trading activity on

the Tel Aviv Stock Exchange, daily volumes

have fallen by \$5m-\$7m in

eign investors remained on

Another factor is the

annual \$2bn loan guarantees

which Israel has been receiv-

ing from the US since 1991.

These are due to expire at

the end of this year. Given

the government's loose fiscal

policy and the fact that

undated finance ministry

estimates put this year's cur-

rent account deficit at \$1bn,

analysts believe this could

result in the downgrading of

· Israeli economists shudder

at such a possibility. It is clear what Netanyahu

should do," said Mr Ephraim

Kleiman, professor of economics at the Hebrew Uni-

versity. "If he pushes

through the budget cuts and

fulfils his other promises on

the economy he would show

his mettle. If not, the budget

and current account deficit

Israel's credit rating.

the past six months as for-

the sidelines.

action", of which the interest rate rise was one element, "is now necessary to

missing Hutus yesterday it had located up to 700,000 missing Rwandan

INTERNATIONAL NEWS DIGEST

UN locates

Hutn refugees in eastern Zaire using western satellite pictures. Ms Melita Sunjic, UNHCR spokeswoman, said an estimated 50,000 refugees had been located near the Masisi region, 100,000 north of Sake village near Masisi and 200,000 north of Bukavu and another 250,000 south of Many were heading for areas controlled since earlier

 mainly Hutus who fled Rwanda in 1994 – will be one of the main issues to be discussed at a meeting of military planners from 19 countries in Stuttgart, today. Zaire's President Mobutu Sese Seko will return home from surgery and convalescence in Europe before the end of the mooth. "He himself has said that he will have a medical check-up on the 25th of November, and will return home three days later," the prime minister, Mr

ocation and direction taken by the thousands of refugees

this month by Zairean rebels, aid workers said. The

EU extends Nigeria sanctions

The European Union has agreed to extend for another six months sanctions imposed on Nigeria in protest against human rights abuse. "The general human rights situation and the pace and the manner of the transition to civil democratic rule [in Nigeria] continue to give rise to serious concern," a draft EU statement says.

EU sanctions on Nigeria, basically restrictions on travel to the EU by Nigerian officials and military personnel, were due to expire in early December. The draft statement said that while there had been "some modest steps in the right direction, there was not sufficient evidence of progress to modify the EU position regarding Nigeria". Africa's most populous nation is treated as a parish by the rest of the world for alleged human rights abuses and last year's hanging of nine minority rights activists from the Ogoni tribe, including a writer, Ken

Algeria rejects Amnesty claim

The Algerian government yesterday accused Amnesty International of taking sides in the country's internal conflict and lending legitimacy to armed Islamic groups. The London-based human rights organisation, in a report this week, described a deteriorating burnan rights situation and an atmosphere of fear in which civilians were increasingly drawn into the nearly five-year conflict

The report condemned both the killings by armed Islamic groups and the government practice of judicial executions, torture and disappearances of detainees. It also called on the government to disband civilian militias first set up as self-defence groups but now involved in arbitrary killings of people they believe to be Islamic

The Algerian embassy in London said Amnesty had painted "a distorted picture in which the criminal is absolved and the citizen seeking to defend himself is condemned". That the Amnesty report was released 10 days before the controversial November 28 vote on amending the constitution, s move opposed by several Algerian political parties, was proof of Amnesty's bias, said the Algerian embassy. Roula Khalaf, London

Israel waits for Netanyahu to deliver

Six months after the election, much trumpeted economic reforms have yet to materialise

Israeli prime minister, announced this week cuts in next year's budget. the markets hardly blinked. "Why should they?" said

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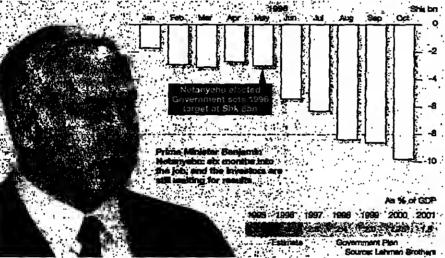
, shot

one analyst. "We have seen no action on the economic front since Mr Netanyahu was elected last May. Even his much trumpeted privatisation plans, supposed to have been unveiled last week, never materialised. Where is the substance to the rbetoric?" During his election cam-

paign, Mr Netanyahu placed the economy high on his agenda. Privatisation and deregulation would be speeded up, long overdue capital market reforms would be introduced and the budget deficit, including the spiralling current account deficit, would be tackled. Six months into the job.

investors are still waiting for results. They say the longer they wait, the more likely the goodwill and the \$2.2bn of foreign investment which poured into the country last year on the back of the peace process could evaporate. This is the last thing Israel needs as the economy

It has been growing by an average of 6 per cent a year Israel's budget deficit worsens



since 1992, buoyed by the influx of more than 750,000 current account deficit, tight monetary policy to Russian immigrants, by the peace process and by the expansion of Israel's high tech industry. But this year it will slow to 3.8 per cent, slipping to about 3.2 per cent. in 1997, as the boom spurred by the immigrants ends and the tourism industry declines at least 15 per cent as a result of the spate of bombings this year and the recent violence between

Israelis and Palestinians.

economists is the worsening Fuelled by the immigrants' consumer spree and a real appreciation of the shekel, it cent a year, np from last grew from 0.3 per cent of year's 8.1 per cent. gross domestic product in 1992 to an estimated 5.4 per cent of GDP. or \$4bn-\$4.5bn.

budget deficit, estimated to reach 4-4.5 per cent of GDP this year compared to 3.5 per cent in 1995, is one of the reasons why the Bank of Of even more concern for Israel is determined to main-

tain high interest rates and a check inflation. Inflation is already running at 11 per

The central bank is resisting calls hy the business would fuel inflation since higher prices to consumers.

tics," said Lehman Brothers. community to cut interest "He must strengthen his hold on the government and rates and devalue the shekel Both this deficit and the in order to boost exports. The bank fears such a move wholesalers, dependent on imports, would pass on

these modest cuts from a total budget of Shk165.4bn, less debt repayments. Lehman Brothers, the investment bankers, argued in a report published this week that the recent violence would almost certainly

ary fiscal policy.

put economic issues on the back burner, at least in the short term. Furthermore, Mr Netanyahn, head of a fractious conservative-led Likud coalition, has no experience of government. He has never held a ministerial post nor has he had to make compromises. "Working against." Netanyahn is his lack of

formulate a clear policy framework." Time is not on his side. If will grow. We will borrow Mr Netanyahu continues to more. The economy will get stall on the peace process, violence could erupt again, At the same time, the increasing the possibility of

experience in national poli-

Judy Dempsey

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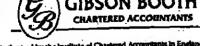
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LEGAL NOTICES

NAME AND COOKE OF PERSONS

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ANT creditor or sharelestics or the smill Company flexing to appear the shaking of an Order for the texture of the sharelession of the shall reduction of the Company's shall present an attend short days are as the time of beauting by present at the Company's to the present at the Company's to the present at the Company's to the Section of the American Section to any such person exploring the small by the make the present appears to present of the American Company in the same DATED this 1996 day of Repumber 1995.

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LEGAL NOTICES

NOTICE

NOTICE IS HEREBY GIVEN that in pursuance of Section 21(1) of the Companies Ordinance, application has been made to the Registrar of Companies for a licence directing an association. about to be formed under the name of "St. Teresa's Hospital" (the "Company"), to be registered with limited liability without the addition of the word "Limited" to its name, The objects for which the association is proposed to be established are:

(a) To acquire, develop, manage and maintain the hospital known as St. Teresa's Hospital

and any other non-profit making hospital or hospitals:

b) To develop and maintain the objects for which St Teresa's Hospital has been instituted,

(i) to establish and maintain a non-profit making hospital for the Glory of God, the good of the Catholic Church, and the service of man; (ii) to establish and maintain a non-profit making hospital in accordance with the

(or the Sisters of St. Paul of Chartres); (iii) to work with all medical staff using their best endeavours to serve patients so that

spirit, mission and charism of the Society of the Socurs de Saint-Paul de Chartres

contribution can be made directly to the care and recovery of patients; and (iv) to provide a residence for the sisters of the Soeurs de Saint Paul de Chartres (or the Sisters of St. Paul of Chartres) and the staff including doctors and nurses of any non-profit making hospital acquired, developed, managed or maintained by

the Company on the basis of operational need; (c) To establish, maintain and manage convalescent and other similar medical institutions and health centres and to provide all kinds of social, health, medical, educational and religious services for the Hong Kong community in order to promote the faith of the Roman Catholic Church.

The other objects of the Company are set out in the Memorandum of Association, a copy of which may be inspected at the offices of Messrs. Munro & Claypole, solicitors, of Rooms 812-813, Asian House, 1 Hennessy Road, Wanchai, Hong Kong.

Notice is hereby given that any person, company or corporation objecting to this application may lodge such objection in writing before the Registrar of Companies at 14th floor, Queensway Government Offices on or before the 13th day of December 1996. Dated this 22nd day of November 1996.

Munro & Claypole Solicitors for St.Teresa's Hospital

CONTRACTS & TENDERS

NOTICE FOR INTERNATIONAL TENDER Nº 002/DIRMA/96

THE BRAZILIAN AIR-MINISTRY AIR FORCE LOGISTIC COMMAND DIRECTORATE OF AERONAUTICAL MATERIAL INVITES applications from suitably qualified companies to

tender for: · overhaul services, refurbishment an application of sarvice bulletins for 2 (two) complete motors ATAR 09C06, plus maintenance of their containers. 2. TENDERS DOCUMENTS are available for consultation at the Directorate of Aeronautical Material - Procurement

Section, at Praga Senador Salgado Filho, s/nº, 3º andar, Aeroporto Santos Dumont, Rio de Janeiro, RJ. Documents could be obtained for a non-refundable of R\$ 150.00. 3. THE AWARD resulting from the International Tender shall be governed by Brazilian Law nº 8666/93 and shall ba

based on the LOWEST PRICE offered. THE OPENING of the tender envelopes will be elected by members of the Tender Commission on 26 December 1996 at 14:00 hours local time, at the Directorate of Aeronautical Material, in the presence of all those who want to witness

London, 19 November 1995

No. 006265 of 1996 IN HIGH COURT OF JUSTICE IN THE MATTER OF LINCOLN

NATIONAL (UK) PLC

IN THE MATTER OF THE COMPANIES ACTS 1985 NOTICE IS HEREBY GIVEN Ibat Petition was on the 4th day of November 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the State Premium Account of the above-named Company from LSDJG4.416.00 to 17.986.181.04. AND NOTICE IS FURTHER GIVEN that before the Registrar of the Companies Court at the Coyal Courts of Justice, Strand. Lordon WC2A 2LL, on Wednesday 11th day of December 1996. ANY Creditor or Shurcholder of the said

Company desiring to appear the making of an order for the confirmation of the sald reduction of Share Premium Accoun should appear at the time of hearing in person or by Counsel for that purpose. A copy of the sald Petition will be furnished to any each person requiring the same by the undermendered Solicitors on payment of the regulared charge for the paste. Desert this 22nd day of November 1996 The Brough Steered Law Party

One Dyers Bulkfing London BCIN 25X

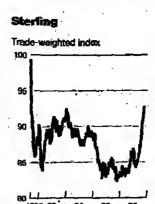
Currency reaches highest level since ejection from Exchange Rate Mechanism in 1992

Competitiveness warning as pound soars

By Ross Tieman and Simon Kuper

The pound soared yesterday to its highest level since the week it was forced out of the European exchange rate mechanism in September 1992, sparking a warning from business leaders that the surge could seriously damage UK competitiveness.

Sterling has risen by about 10 per cent since its recent low point in August, in large part because strong economic growth has fuelled expectations of higher Interest rates. The pound has also been boosted in recent months by higher oil prices. Measured against a tradeweighted basket of curren-



cies, it closed in London at 92.8 per cent of its 1990 value. This was its highest closing level since Septemfell out of the ERM.

Sterling gained 2.1 pfenyear high against the dollar. after a 1.3 cent rise to \$1.690. ders, said: "The recent convinced much of the market that UK base rates will rise next month." A strong pound makes UK goods relatively unattractive in world markets by making exports more expensive and imports cheaper. Company chiefs

many months. Mr Adair Turner - direc- at this sort of level over the

reached yet another four- tion of British Industry, the main employers' lobby said yesterday: "Many busi- year." Mr Ian Granne, foreign nesses have been telling us exchange trader at Schro- anecdotally for the last conple of weeks that they do strong economic data has feel that the exchange rate is to be cut by around 2 per getting to a level where it cent to 4 per cent because of could have a significant effect upon competitiveness both on exports and on import penetration." Ha spoke after ED&F Man

Group, the commodity broker, joined British Steel and have begun to signal cuts in Courtaulds, the chemical corporate profitability and company, in publicly press for government action expressing concern. Mr Har-

investors: "If spot rates stay ers by 1.8 per cent to 4 per nigs against the D-Mark and tor-general of the Confedera- next five months there will be a 3 per cent reduction in reported earnings at the full

> Profits at many of the UK's leading manufacturers and exporters are expected the rapid appreciation. Brokers say company prof-

its will be undermined by

declining margins or sales in

export markets, and by the

reduced value of profits

earned outside Britain when translated into sterling.

ber 18, 1892, two days after to curb a rise in the pound of vey McGrath, Man's manag-Black Wednesday, when it more than 12 per cent in as ing director, warned his casts for 18 UK manufacturcent in response to a rise of more than 5 per cent in the trade-weighted value of sterling since August.

Companies dependent upon dollar pricing, aspecially in the oil and aerospace industries, are seen as vulnerable in spite of their use of currency hedging. Sterling reached its all

time low of 84.0 on the tradeweighted index on November 20 last year. It has since risen by more than 15 per cent against the D-Mark and 8 per cent against the US

Currencies, Page 25

Bonus feast gives food for thought

In spite of the bonanza, rising staff costs make broking firms more vulnerable

be news that employees of broking firms in the City of Londoo enjoyed a bonanza of £315m (\$520m) in bonuses and profit-sharing in the 12 months to June todicates how quickly the good times have returned to a notoriously eyelical industry.

It has been clear for some time in the results of international investment banks that 1996 is likely to be a highly profitable year. Results are expected to be rivalled only by 1993. wheo investment banks suffered. The same firms broke out of the doldrums of

Yet figures for profitsharing and bonus payments at 250 members of the London Stock Exchange show trends that bave already caused concern among many managers. They show that staff costs are growing more rapidly than other costs. making firms more vulnera-The figure for bonuses

By Graham Bowley

and George Graham

Political arguments about

the proposed Target pay-

ments system are causing a

"planning blight" on more

technical issues that could

lead the system into grid-

lock, the Bank of England

warned yesterday. The dis-

putes concern the terms on

which countries outside

European Monetary Union

would be able to use Target.

address to bankers in Lon-

don, a senior official of the

Bank of England, the UK

ceutral bank, spoke of a "dis-

turbing lack of detail" ln Target's preparation. The

system will link wholesale

payments systems to allow

instant transfers of euros.

the proposed single cur-

Mr David Pennington, who

is responsible for designing

the UK's link to Target, said

the central bank's prepara-

tions for Target put the UK

in a relativety strong post-

tion" to some of its Euro-

still an "unanswerabte ques-

tion" whether other central

banks, or even the European

Monetary Institute, the fore-

runner of the proposed Euro-

pean Central Bank, would be

ready to launch Target on

Bank officials said prepa-

rations for running Target in

time on January 1, 1999.

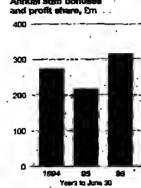
Mr Penningtoo said it was

pean partners.

rency, throughout the EU.

in a strongly worded

Golden handshakes: toppling the City?



compares with a total pretax profit for the 250 firms of £719m (\$1,205m). This was a oear-record figure, and followed a dismal period in 1994 when US interest rates rose and financial markets made a total loss of £308m (\$616mt in the year to June

The volatility of profits in investment banking is not a new phenomenoo. Broking bouses in particular depend strongly on healthy financial markets for profits, and such as Deutsche Morgan return on the capital swings sharply. The exchange figures show that firms lost money in 1990, and only just

Mr John Major, the prime

minister, came under pres-

sure last night to allow a

debate on European mone-

tary union, after senior fig-

ures from the governing

Conservative party called

for an urgent meeting with

the premier, write John

Kampiner and Robert

Peston. The government

said it would go ahead with its plans to table a motion

"taking note" of three Euro-

pean Union position papers

on Emn which had been sent

to a committee for discus-

· Those proceedings ended

in disarray after angry MPs

from all parties rejected a

government motion "taking note" of the documents. Mr

Major told MPs there would

be a general debate on

Europe - without a vote -

ahead of the EU beads of

government summit in Dub-

also needed to cope when

if one central bank's sys-

tem crashed, said Mr Pen-

nington, liquidity risked

being "hoarded or simply

piled up at a national central

bank that was unable to

There was controversy

earlier this year after threats

from France and Germany

that countries outside Emu

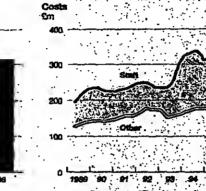
lin next month.

things went wrong.

recycle it."

sion on Wednesday.

full House of Commons countries outside Emu debate on European mone- should not have the same



However, a more worrying trend for broking houses is that staff costs have been escalating faster than other costs in the past year. The figures show a 9 per cent rise in staff costs compared with a 1 per cent rise in overall costs. A great deal of this rise bas come in

The main reason for the escalation in bonuses is the strong competition among large firms for staff. Although the larger firms Grenfell have concentrated on expanding in mainland Europe and the US, they have also been hiring equity research and sales staff in

Central bank warns of Crippled trucks

euro payment obstacle | are pulled from

to Target. They argued that

Target would be inextricably

linked to monetary policy in

the single currency area and

Mr Pennington said there

was no doubt the UK would

be entitled to counect to

Target if the UK were

outside Emu. But he feared

extra hurdles to full UK

efficiency for all

access would reduce Target's

Target is likely to be dis-

cussed at an EMI meeting

next month. Senior Euro-

pean officials said progress

towards an agreement on

Mr John Townend, deputy

director of the Bank of

England, indicated that

plans to overhaul the way

the bank intervenes in the

UK's sterling money markets

to bring it into line with

practice elsewhere in Europe

would be published soon.

The move would help Lon-

don remain a centre for

money market operations

after the scheduled introduc-

He said the proposals, which

are expected to use the UK's

new market in bond sale and

repurchase agreements, or

gilt repos, to manage money

market conditions and

impose monetary policy. would be published "as soon

as we possibly can". He

added this could be "within

tion of Emu in 1999.

access was not assured.

access as those within it.

the UK. As firms such as in UK stockbroking, they bave created a buoyant transfer market

Many of the large pay packages have been awarded to those with a rarity value. in particular, large sums have been paid to equity analysts and equity capital markets specialists. in a recent speech. Sir

Andrew Large, chairman of the Securities and Investments Board, pointed out some of the perverse effects of the labour market in the

Sir Andrew argued that the "colossal" rewards for

FT Reporters

yesterday.

in Paris and London

Eurotunnel staff were forced

to fall back on the final part

of a three-stage safety pro-

gramme to rescue passen-

gers trapped by a blazing

freight train on Monday

night, the company revealed

In spite of the resumption

of a limited freight train ser-

vice early in the day, Euro-

tunnel is still gathering evi-

dence to put the Channel

tunnel safety anthority.

prospect that Eurostar ser-

vices, passenger and freight shuttles will resume.

As the first of the fire-

damaged shuttles and trucks

were removed from the tun-

nel, the full scale of the inci-

dent became clear. One

truck with a blackened

cargo of pineapples, had

been almost totally

destroyed, while others, revealing buckled metal pan-

els and melted plastic com-

ponents, had collapsed on to

Eurotunnel forecast that it

would take several weeks for

the resumption of full ser-

vices, while its ferry rivals

announced increased sail-

tngs across the English

Channel between Dover and

their suspensions.

Calais.

There appears no immediate

Channel tunnel

banks make such employees DMG and Schroders expand barder to control and can encourage them to take excessive risks with the capital of the firm. He said that the star culture "can lead to serious damage. long-term, to the firm as a

> At a more prosaic level, some managers of City firms worry that they are simply storing up trouble for the future. Some transfer packages for star traders bave offered a guaranteed level of bonus for up to three years. This is a hostage to fortune if the industry cycle turns

> > John Gapper

sailings to 30, from 20 before

the fire, with the return of a

fifth ferry from a refit. Stena

is increasing daily sailings

from today from 25 to 27.

The port of Dover yesterday

handled a record of nearly

On the night of the fire the

train driver was unable to

continue through the tunnel

because a warning light indi-

cated that a loading ramp

was open, Mr Alain Ber-

trand, Eurotunnel opera-

tions director, said. A power

failure meant that the burn-

ing shuttles could not be

uncoupled from the driver's

carriage to allow it to be

This meant the train crew

had to lead passengers

through a connecting tunnel

into the pressurised central

service tunnel. Mr Bertrand

said: "The whole incident

was managed totally in

accordance with procedures

and systems that were very

carefully designed, tested

and commissioned during

the construction and devel-

Meanwhile suggestions that the fire had been delib-

erately started were dis-

missed as "really a distor-

tion of the facts", by the

local investigator, based in Boulogne. The office added:

Nothing at this stage has

opment of the tunnel."

towed to salety.

5.500 trucks.

aircraft deal gets go-ahead

By David Wighton, Political Correspondent

The government yesterday occupied East Timor.

democracy movement.

The granting of the export cence comes three months after a group of women damaging a British Aero-space Hawk to prevent it being shipped to Indonesia. In a verdict that shocked the defence industry, the jury accepted the defence argument that the women had used "reasonable force to prevent a crime".

erument approved the sale of an initial consignment of Hawks in respect of a contract signed in 1993. The government said it had concluded that it was "not likely" that the planes would be used for "internal repression in Indonesia or East Timor". The indonesian government had given assurances that they would not be used for internal security or against civilians.

British Aerospace said the

Mr Jose Ramos Horta, the exiled spokesman for the East Timorese resistance movement and joint winner of this year's Nobel peace prize, has claimed to have seen Hawks being used in an offensive role in Bast Timor.

But Mr Jeremy Hanley, a minister at the UK Foreign Office, told the House of Commons last month that the government had investioughly and found no evidence to support them.

Indonesia

gave British Aerospace, the defence company, the go-ahead to deliver 16 more Hawk fighter aircraft worth an estimated £300m (\$503m) - to Indonesia in spite of persistent allegations that they are being used against opponents of the Indonesian regime in

UK officials said the export licence had been granted only after "rigorous sessment" of the planes'

But campaigners against the arms trade said the government's decision was "incomprehensible" given the recent evidence of increased government repression of the Indonesian

activists were cleared of

A year ago, the UK gov-

Announcing the latest licence in a written parliamentary answer yesterday. Mr Ian Lang, the chief UK industry minister, made no comment on any additional enquiries the government has made. But officials said the licence had been issued "only after rigorous assess ment"

planes would be used for advanced flying training and tactical training. But the Hawk can also be used as an attack aircraft.

Editorial Comment, Page 13

UK NEWS DIGEST

More problems in share system

Crest, the electronic share settlement system for the City of London, hit renewed problems yesterday when the settlement of 14 securities, including the shares of Enterprise Oil and Scottish Power, were suspended for the day. The suspension of settlement was caused by problems in the communication links between Crest and Bank of Scotland, which is the registrar for the 14 securities involved. The move led to delays in other Crest facilities.

The difficulty comes as Crest has been attempting to reduce a backlog of 30,000 unsettled bargains held within the system. The board of CrestCo, the company that runs it, is to meet on Monday to consider delaying transition to

The problem with Bank of Scotland is the first significant difficulty to affect a company registrar in Crest since a series of problems with the transfer of paper certificates to electronic accounts at the end of last month. Bank of Scotland said it had experienced problems with its communication link to Crest through Swift, the Brusselsbased data network.

SOFT DRINKS

Branson accuses cola competitor

Mr Richard Branson yesterday accused Coca Cola & Schweppes Beverages of using anti-competitive sales prac tices to thwart Virgin Cola, his loss-making, two year old venture in UK soft drinks. "From our experience with British Airways, we see obvious parallels in soft drinks." said Mr Branson, who is chairman of Virgin Group, which includes the Virgin airline.

But his complaints about CCSB's use of discounts and other forms of trade promotions were criticised as "naive" by several other small soft drink producers. CCSB has about 60 per cent of the UK soft drinks market. The part-ners announced this autumn, however, they were selling it in a £1.2bn (\$2bn) deal to Coca-Cola Enterprises, the US based bottling company 44 per cent owned by Coca-Cola. European Union competition authorities are examining the deal and have solicited views from CCSB's competitors with a final verdict from Brussels due in the third week of January.

New euromark debuts in London



More than 11,000 coutracts changed hands yesterday in the first session of trading in the latest arrival on the London International Financial Futures and Options Exchange - a futures contract on German one-month interest rates. That compares with roughly 13,000 lots today in Frankfurt, although the contract has been available there for a week. It traded 7,381 on its its first day in Frankfurt, "The lannch of

Liffe's one-month euromark futures [yesterday] and the announcement [on Wednesday] that Liffe and the Chicago Mercantile Exchange bave signed an agreement to list [Liffe products in Chicago] are both key elements in Liffe's Emu strategy," said Mr Jack Wigglesworth, chairman of Liffe (pictured launching the new contract with Mrs Angela Knight, a UK Treasury minister). "Greater worldwide market penetration of products...strengthens Liffa in its ambition to become the world centre for euro derivatives trading." Somer Iskandar

■ PRIVATISATION

Three shortlisted for rail bid

Three big companies - Stagecoach, Sea Containers and Mr Richard Branson's Virgin Group - have been shortlisted for the 15-year franchise to operate train services on the busiest long-distance route on the UK rail network. The route is the west coast main line which runs from London to Scotland and serves the northern cities of Man chester and Liverpool.

Stagecoach, the second biggest bus group and Sea Containers, which runs container leasing and ferry operations, have both already won rail franchises. Virgin is a partner in the consortium which operates Eurostar trains through the Channel tunnel between England and

ECONOMY

Spending data underline strength

The powerful momentum behind UK economic growth was underlined yesterday by figures showing that consumer spending is growing at its strongest rate since 1989 and that manufacturers' order books have risen to a 15month high. Consumer spending rose by 3.6 per cent in the year to the third quarter, according to the Office for National Statistics. The Confederation of British Industry the main employers' lobby, meanwhile reports that manufacturers are seeing a marked improvement in domestic

■ AEROSPACE

Rolls-Royce in \$92m RAF deal

A 10-year contract has been won by Rolls-Royce to provide maintenance support for Adour engines in Royal Air Force Jaguar and Hawk aircraft. The agreement between Rolls-Royce Aero Engine Services and the Ministry of Defence is worth about £55m (\$92m).

OIL AND GAS

Brent field

in a chart published in the FT yesterday, the lines showing oil and gas production forecasts in the Brent field of the North Sea were inadvertently transposed.

Unstable milk sector ponders restructuring question

Poor prices and the long-term decline in doorstep sales have added to the pressure on the sector for a shake-out

director of Police way Foods, has a simple way of expressing the problem of how to restructure the dairy industry. Everyone, he says, is talking to everyone else. But "no one wants to be higger in dairy". According to Mr Michael Landymore, food analyst at Henderson Crosthwaite, the dairy industry is 'inherentiv justuble'

some reorganisation within the sector. The big question is how

Northern Foods reported a 27 per cent slide in half-year operat-

Unigate said its dairy business suffered a 14 per cent drop in

would face restricted access the next few weeks".

operating profits. The main problem in the half year has been poor prices for commodity products such as skimmed milk powder and butterfat. However, the sector has been enduring a much longer-term pressure from the decline in doorstep milk sales Eventually there will have to be and the rise in supermarket sales

> A pint (0.57 litres) of milk dalivered by a local milkman typically they can still make money from costs 39 pence (65ct, while n 4-pint supplying big stores. (2.28 litre) plastic jug from a

working out at less than 25 pence

That disparity has persuaded millions of customers to huy from supermarkets, which are often accused of using milk as a loss leader. If the supermarkets are not making much profit from milk, they expect their suppliers to share that pain. That has meant several years of rationalisation by the dairy groups, trying to reduce their costs to a level where

This summer two regional

Lord Raylelgh's Dairies, went bankrupt. Mr Chris Haskins, industry are hoping they can chairman of Northern Foods, said this week: "There is too much been involved in asset swaps on a cess, recently cut prices. local basis, a much more sweep-Once that has taken place,

P&O is increasing daily been ruled out or ruled in."

sector should prosper. industry will polarise into a few keep dairies in the black.

though, the companies left in the

ing profits from its dairy side on supermarket generally retails groups who were supplying super national processors and some Wednesday, while on Tuesday between 95 pence and 99 pence, markets. Cricket St Thomas and small, local dairies, As a quick fix, many in the

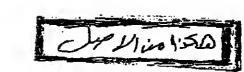
negotiate a cut in the price they pay for milk in the new year. Milk capacity and between £75m and Marque, the farmers' selling co-\$100m of excess cost in the indus-operative which supplies 50 per try". While many groups have cent of the milk that dairies pro-But the prices dairies are realis-

skimmed milk powder and butterfat they process from the milk is be long-term winners, then prosstill lower than the cost of the raw pects look dim for a while. Glasgow-based Robert Wiseman milk supplied by Milk Marque. Dairies believes, for example, the Only profits from liquid milk sales

Even if supply costs fall further, many executives believe the cuts will give only temporary relief rather than salvation for the industry. There are widespread rumours in the industry that MD Foods, the group owned by a Danish farmers' co-operative, lost £20m (\$33.5m) in the UK in its financial year to the end of September. If MD Foods and others ing rationalisation is needed. Ing for commodities such as are prepared to sustain auch losses, in the hope that they will

> Maggie Urry and Roderick Oram







finest essays, written just

after the second world war,

ement might go.

sumpering.

h ite i edition

Last bill

THEY SEEDING

John Kay

The new Newspeak

Modern business literature is in danger of fulfilling George Orwell's vision of a debased English language

In one of George Orwell's human spirit?

he dissected the use of language in politics. Politicians and political writers had created a divorce between language and ideas which debased both language and politics. Orwell later created that it is easy". Newspeak, the language of

1984 to show how far this When Orwell wrote, there was little or no business lit- is not to convey informaerature. But today business has taken over as a focus for truly dreadful writing. It is easy to find Indicrous examples, but like Orwell I cite cases that are representative rather than extreme:
Those who hesitate too ong before the challenge of

globalisation, or fail altoweather at all. gether to respond, face economic jeopardy, or at least substantial loss of competitive position. Those that opt for globalisation in good time, position themselves to gain competitive leadership and sustainable increases in returns." (Facing up to the Globalizotion Challenge, H. Henzler & W. Rall, McKinsey Quarterly, Winter "Today's top level managers recognise that the diver-sity of human skills and the

unpredictability of the human spirit makes possible innovation, creativity and entrepreneurship. The most basic task of corporate leaders is to recapture these valuable human ettributes by individualising the corporation. To do so, they need to adopt e management philosophy thet is based on purpose, process and people." (C.A. Bartlett and S. Ghosbal, Harvard Business Review, May/June

Most people would agree with these sentiments. In fact, that is the problem. Are there many people who think companies should procrastinate indefinitely nothing to say before the challenge of globalisation? Or that creativity and innovation are pro-

moted by discouraging Exploiting the Virtual Value they wished to conceal what

This is the kind of writing that Orwell described as "gumming together long labour around which comstrips of words which have already been set in order by someone else...the attraction of this way of writing is

Penning such passages is like saying "it's a nice day" to a neighbour. The purpose tion; such remarks are conversation fillers, designed to bridge an awkward silence or to establish mutual recognition and rapport. We can assent to these paragraphs without thinking, just as we can acknowledge "it's a nice day" without giving any attention to the

Orwell likened this kind of writing to responses in church. We mumble them without any longer recognising the underlying meaning of the words and phrases. Consider these examples: "To truly exploit the virtual value chain, however, Geffen'a managers might go further by applying the generic value-adding steps of the marketsplace to the information the company collects at every stage of the physical chain, thereby creating new value for customers." (J.F. Rayport and J.J. Sviokla,

not write badly because they did not know how to express themselves well. They wrote badly because they had

The authors did

diversity and squashing the Chain, Harvard Busines Review, Nov/Dec 1995.)

"The old ways of doing business - the division of panies have been organised since Adam Smith first articulated the principle simply don't work any more. Suddenly, the world is a different place. The here and now crisis of competinegative one.

tiveness that American corporations face today is not the result of a temporary economic downturn or of a low point in the business cycle. Indeed, we can no longer even count on a predictable business cycle prosperity, followed by recession, followed by renewed prosperity - as we once did." (M. Hammer and J. Champy, Re-engineering the Corporation, p17.)

The central difficulty here is understanding what is meant. These passages are like extracts in a foreign language which you do not speak, and for essentially the same reason. We understand language by recognising the concepts which words express. In unknown languages, you find it impossible to connect word to concept. The same is true here. It is as though these paragraphs were written by computer, programmed to write grammatically correct English but with no knowledge of the meaning of English words. Perhaps

Words like re-engineering, downsizing and delayering sound as if they come directly from the dictionary of Newspeak. Words that express genuinely new concepts - like bytes or quarks have e vitality and imagination that these stale euphemisms lack. And this was Orwell's key message. The euthors he cited did not write bedly because they did not know how to express themselves well. They wrote badly because they had nothing to say.

Or, sometimes, because

they meant. Politics has always abused language in this way. Democracy comes to mean no more than "a system of which I approve".

Fascism is "something which I intensely dislike" Similarly, empowerment is a positive way of describing one's relationships with snbordinates, hierarchy a As Orwell explained such

bilipring of the meaning of words leads quickly to statements like "the Soviet Union is a true democracy or, "downsizing is necessary to achieve real job security". It is the divorce between word and thought which makes it possible to say these things. There is a role for manip

ulative language in industry as there is in politics and religion. The chief executive addressing middle managers is performing the same function as the leader at the party conference, the priest at mass, or for that matter the general with his troops or the leaders of a football crowd. Their objectives are to promote group solidarity and practise social control, and the same tricks of ritual, rhetoric and responses apply to each. But none of us should think for a moment that these incantations tell us anything about how to run a

Orwell's clear, direct prose will not instruct you how to do that. But it will help you think, and that is a good start. Next time you visit an airport bookstall, push past the business shelf and pick up a volume of his

Politics and the English Lan guage, in The Penguin Essays of George Orwell, Penguin, 1984

John Kay is the chairman of London Economics and director of the School of Monagement Studies at Oxford University

starting point for a product launched by

Zeneca today, which the UK agrochemicals company says is the most wide acting and versatils fungicide ever developed. Amistar, as it is called, can kill almost any fungal

infection on almost any

fruit, vegetable or cereal crop, without endangering wildlife or the environment. With analysts forecasting peak sales of £200m to £300m a year. Zeneca hopes that Amistar will lift it from being a distant also-ran to a strong participant in the

global fungicides market.

. Its active ingredient, azoxystrobin, is based on natural anti-fungal chemicals, which forest mushrooms such as mansiella mucida (pictured) secrete to prevent competing species encroaching on their territory.
Scientists discovered these

chemicals, called strobilurins, in the 1970s. During the 1980s, the agrochemical industry turned to them as a potential source of new funzicides.

The natural chemicals are too unstable for agricultural use, so researchers identified the parts of the molecules responsible for their fungicidal action. Then they syn-thesised thousands of analogue strobilurins, testing them in the laboratory and greenhouse for activity, tox-icity, stability and mobility. Eventually, in 1989, the

Zeneca scientists at Jealott's Hill agrochemical research centre in Berkshire decided thet azoxystrobin hed the optimum combination of qualities, and they started testing it in the field.

Meanwhile, their competitors at BASF, the German chemicals group, were going through a similar research and development project with strobilurins. They chose to develop another synthetic compound, kresoxim-methyl, which also reached the market this

Vivienne Anthony, Zeneca's fungicides development manager, says azoxystrobin has a broader spectrum of ectivity than its German rival. She points out too that Amistar does not contain any other active ingredient, whereas BASF is concentrating on selling

TECHNOLOGY

Oudemansiella Mucida, the mushroom which inspired the development of Amista

Clive Cookson on a wide-acting fungicide which does not endanger wildlife

Fungus killer takes to field

with other funcicides. The strobilurins have a novel biochemical mode of action, which makes them

effective against fungi that have developed resistance to other fungicides. They work by penetrating the cell wall of a pharmaceutical launch. and attacking the mitochondria, the cell's energy generators; deprived of energy, the fungal cells die.

According to Zeneca, Amistar is the only commercial fungicide that shows a high level of activity against all four of the main fungal groups that ettack crops. Pield trials have been carried out on 60 crops; commercially important targets include cereals, rice, bananas, vines, peanuts, turf and e range of vegetables.

to get Amistar approved as quickly as possible in all the world's important markets. it has never praviously attempted an agrochemical registration effort on this scale - which is more typical

(Zeneca researchers did in fact investigate azoxystrobin as a possible treatment for human fungal infections but it turned out not to be e suitable drug candidate).

Amistar has been submitted to 30 regulatory authorities. Germany was first to approve it, in April, and the other countries, including the UK and US, are expected to follow over the next year. To ensure that enough

supplies would be evailable to meet the exacting launch timetable. Zeneca formed a

"total technology team" with specialists from many disciplines, to establish a manufacturing process.

The supply chain involves 15 chemical intermediates drawn from international sources, some with their own dedicated plants. This would normally heve evolved over five years or more but Zeneca established it within three years.

The company's own £17.5m Amistar plant at Grangemouth, Scotland, is officially opened today.

Gardeners can look forward eventually to solving their fungal problems with Amistar, Zeneca says. But for the moment it is concentrating on registering the product for commercial

THE PROPERTY MARKET

Buttress for confidence

John Ridding looks at the construction revival in Hong Kong

Kong'a harbour on land clawed back from the sea, a giant sandpit stands where ferries used to dock. Pile drivers and diggers will soon lay the foundations for e hotel, offices and an 85-storey tower, the tallest in the

territory. The HK\$40bn (£3.1bn) project is a sign of confidence in the post-handover Hong Kong property market - the Chinese regain sovereignty next July. But it is not the only one. Across the territory, jackhammers and construction equipment drown out the real estate doubters.

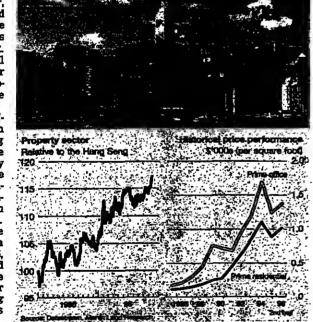
Lately, the optimists have had the upper hand. After a sharp downturn in 1994-95, which saw residential and office prices fall by more than 25 per cent and 35 per cent respectively, Hong Kong's property market is bouncing back.

"There has been a steady improvement," says Dr Lo Ka-shui, managing director of Greet Eagle. Like the other big developers, he points to healthy fundamentals in the sector and shrugs off the risks relating to the return to China. "Ontside, there may be scepticism, but we are not worried."

That is something of an understatement. In the macho style of many during the third quarter," self-made tycoons, Hong Kong's property magnates the real estate agents, have recently been proclaiming the sums they are committing to schemes - and

the figures are considerable. Mr Lee Shau Kee, chairman of Henderson Land, one property groups, said last week that he would spend at sitions this year. Cheung more than estimates. Kong, which is controlled by Mr Li Ka-shing, said the following day that it would be from the general economic committing a similar figure. recovery after the 1994-95 Along with the other dozen or so big developers, the two flagship property concerns plen to invest some

HK\$630hn by 2000. Such pledges are partly tycoons' fortunes depend on



claims than idle talk, while their optimism has been underpinned by movements

Residential prices are up by an average of about 20 per cent so far this year. The commercial sector has been facing more of a struggle, but is now on the mend "There are strong signs that office rentals bottomed out says Jones Lang Wootton, reporting the first upturn in its office rental index since mid-1994.

Increased activity is also evident in auctions of new plots in Hong Kong'e careof the territory's largest fully rationed real estate market. Bidding was brisk at last week's sale, with one least HK\$10bn on land acquisite achieving 20 per cent

A combination of factors slump, monetary conditions have eased and banks bave been waging a battle for next few years as e result of mortgage customers, driving

finance costs lower. The result is stronger self-serving, given that the demand. In three days last companies are flocking week, more than 10,000 prothe feelgood factor and a spective buyers registered push up residential prices. buoyant property sector. But for apartments offered by Sun Hung Kai properties. At ket will peak remains the big may also be digging them-

launch price is expensive by international standards but marks an attractive discount for local househunters in the rising Hong Kong property

market.

Mainland money has provided an additional lift. In the commercial sector, Chinese companies have been buying local bases ahead of the handover. In one of the bigger deals, the Hong Kong arm of the Cosco shipping group has paid HK\$2.9bn for the top 15 floors of a downtown tower block and the right to paint its name on the territory's skyline.

ccording to a study by Jones Lang Wootton, mainland interests accounted for about 25 per cent of the total value of property transactions in the first nine underpins the revival. Apart months of the year, with the bulk of purchases in the commercial sector.

. It expects an increase in mainland funds over the Beijing's recent credit relaxation. At the same time, executives from Chinese across the border, helping to Where and when the mar-

1994 highs. He describes a further 25 per cent increase over the next six quarters as very possible". Such forecasts assume demand will remain sufficlent to absorb the increased

property analyst et SBC Warburg, points out that

mass residential and office

prices are still below their

supply created by the frenzied construction activity Some support for this is provided by an expected influx of residents after the handover, continued etrong inflows of expatriates and the flexibility in land use.

Says Merrill Lynch: "Once ominous supply levels con-tinue to alip," citing decisions by Wharf and other developers to shift projects from commercial to residential schemes, where supply remains tight.

But this year's increases will be hard to repeat. "I believe the residential price will continue to move up next year, but at a slower pace," says Mr Lee at Henderson Land.

Goldman Sachs advises investors in property stocks to take profits after their recent surge on the stock market. It argues that the cycle is peaking, mortgage repayments have reached record levels, and sales are set to slow.

A property analyst at another US investment bank ceutions about the commercial sector. "There is still a question mark over whether the upturn can be sus-

The biggest question, of course, is whether the shift from a capitalist to a communist landlord will bring the sector crashing down. Although the process is proceeding relatively smoothly, and China regularly voices its commitment to Hong Kong's prosperity, the transition is an unprecedented experiment, fraught with business risks.

By investing so boldly, the property tycoons are seeking to buttress the confidence that they preach. But they the building activity sug- Sun Hung Kai properties. At ket will peak remains the big may also be digging the gests there is more to their HK\$2,850 per square foot, the question. Mr Victor Kwok, selves a very large hole.

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The United Sates Information Agency and The Voice Americe (USIA/VOA) is offering for sale 132 acres (English statute measure) of unimproved land on the east coast of Granade. The island is located at the end of the Lesser Antilles chein of Islands north of eastern Venezuela and Trinidad at 12 degrees, 10 minutes north latitude and 61 degrees, 40 minutes west longitude. The property is located on the ocean in the Parish of St. Andrew which is eleven miles from the city of St. George

and one mile from the airport. information about the property and instructions for interested buyers may be obtained by providing a letter of interest to James W. Durham at the following eddress or facsimile number.

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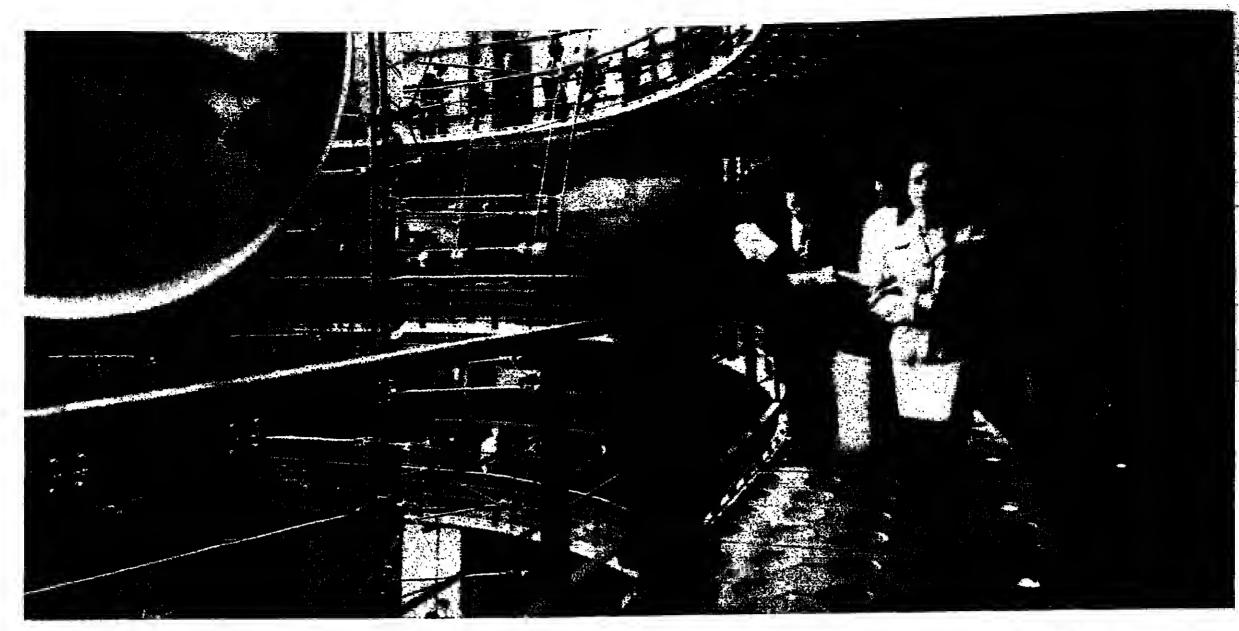
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FT Surveys



CHILL THANKS THE TALE



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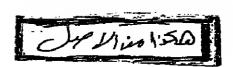
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ing from around 1500. Starkly, heantifully, this charts the pilgrimage of Everyman towards death. In its wake, it prompts umpteen echoes of earlier and later plays. God sends Death to tell Everyman of his impending end; since here Death is a female, the scene that follows recalls the ciation of Death) in Wagner's Die Walkure. From then on, Everyman's voyage resembles now that of Euripides's and Gluck's Alcestis. now The Pilgrim's Progress of John Bunyan, now the closing scenes of Ibsen's Peer

What makes it most affecting is Everyman's intenss need for a companion. The prospect of departing this life alarms him, but less so, it seems, than the loneline of this final journey. He calls on one personification after another - Fellowship, Kindred, Gooda, Beauty, Strength, Five Wits, and more - to bear him company. But some of them at once reject him, and others eventually desert him. Of them all, only Good Deeds and Knowledge will last the course. Good Deeds even

going with him to the grave. The simple gravity of the mediaeval language adds its religious loveliness to the drama. On the journey there is variety, colour, cheer, but the solemnity of the issue As Everyman laments that everyone has failed him save



Alarmed by death and loneliness: Josette Bushell-Mingo, Myra McFadyen and Joseph Mydell

A journey for Everyman

Alastair Macaulay on the RSC production of a late medieval morality play

chimes in with "All earthly things is but vanity / Beauty, Strength, and Discretion do man forsake, / Foolish friends, and kinsmen, that fair spake / All fleeth save Good Deeds, and that am L"

Much is wrong with the RSC production, directed by Kathryn Hunter and Marcello Magni. There are acres of extraneous modern matehis Good Deeds, Good Deeds rial added - the extended ously, then adds "and have a

wedding feast amidst which Death comes to Everyman, the Babel of priests that erupt well along the journey, and more - which add colour to the story bnt also cheapness of tone.

The final line of Goods to Everyman should be "Fare thee well, and have good day", but here the actor, Paul Hamilton, having said the first half of the line seri-

Such moments suggest a lack of faith in the text, and in general there is an excess of ostentatiously artificial acting. Joseph Mydell is an Everyman who employs an slegant Oxford drawl even when in extremis; and his utterance and physicality are, from first to last, too

And yet he has authority. And the entire production, Good's lines.

good day" like a city slicker. in which all the other actors play several parts, has vig-our. Josette Bushell-Mingo her face now so grave in repose, now so Disney-like in animation - is a splendid source of variety in a wide range of roles, and her singing, in several different styles, is simply spellbinding, Paul Hamilton brings a genuinely numinous quality

to his simple delivery of

Opera

Rising

Best, and most touching and simple, is Myra McFadyen's account of Good Deeds - ageing, frail, Scottish, soft. Her way with "All earthly things is but vanity" strikes the ear liks the voice of solacs itself.

Stratford-upon-Avon.

him change his mind.

interesting event has been

the new production of Les

Contes d'Hoffmann, notable

for its use of the recently

previously unavailable docu-

ments, this Hoffmann has a

darker hue than the famil-

some spurious pages.

ina stood out as Olympia.

Everyman' is sponsored by Firkin Brewery, In RSC repertory at The Other Place,

Lottery funds aim for the man in the street

around the gloomy set so singers was at variance

was going.

Opera/Richard Fairman

Debuts in

the Don

the show on the road for sure the character's emo-

get used to long runs of about her role with no inhi-

favourite operas at Covent bitions. She was easily the

Garden this -season most involving singer on

ival next summer), dimensional characters who Monday's performance are content to least any

fresh team to keep

another six. We shall have to

(although I was chided for

saying there would only be

one new production, as two

more have been announced

separately for the Verdi fes-

introduced no less than five

company debuts. After a

first cast thet read like the

local Mozartian elsven

playing at home, the selec-

tors have come up with a

rest-of-the-world team on an

away match. I suspect this

has arisen because the Royal

Opera found itself having to

rustle up an extra cast when

some more expensive production was hurriedly

shelved, but it has had one

positive benefit in bringing

us some new and interesting

That is the level at which

approached. A production

which started out with detailed dramatic points to

make has inevitably become

loose and in most respects

uninteresting. Why does it

take so many extras to shift

that it looks just the same as

Everything about the pro-

duction is dark as night,

except when Solveig Kringel-

born's firebrand Donna

Elvira flares on stage with a

it did before?

revival is bast

voices

tival next summer).

even performances of our. This young Norwegian

Don Giovanni down soprano, heard as Fiordiligi

and here comes a at Glyndebourne in the sum

stage.

mer, is determined to make

tions come across and sets

By contrast, both Chris-

tine Brewer's Donna Anna

and Donald Kaasch's Don

Ottavio remain two-

expression to their singing.

ious lip with any amount of evil hidden beneath; but is

vocally uncharismatic; Franz

Hawiata treats Leporello to a

first-class bass-baritons

voice and a lot of unspecific

There was some touching

interplay between the Zer-

lina of Christiane Oelze, who

does not have an insincere

bone in her body, and the

Masetto of Maxim Mikhailov,

who combines presence and

a very promising youthful

voice; Gndjon Oskarsson

sang a Commendatore as

sure as a rock. In the course

of the evening each of the

somewhere with Dietfried

Bernet'a soggy conducting.

This was a performance that

sounded uncertain where it

Further performances until

in Brewer's case case

phrased with forms phraseu with the cal purity. Ferruccia Furia-

netto manages to complex figure out of Don Giovanni, curing a supercil-

orchestra with such rigid ship contribution. Individu ow everyone can insensitivity that Alagna's apply for a lottery charm was almost oblitergrant to pursne ated. It emerged later, and their creative he was particularly effective dream. The Arts Council yesin the duet with his Gilda, terday greatly widened the the crystalline Rnth Ann potential impact of lottery Swenson. Only Alagna's frefunding by launching Arts 4 quent, awkward and inap-Everyone Express (A4E propriate interpolated laugh-Express), and its big brother, ter was jarring. A stronger conductor would have made Arts 4 Everyone (A4E). Their trendy names suggest that they represent the Arts As the City Opera's season draws to its close, the most Council's biggest attempt yet to reach down to the man in

the street. Both schemes have similar aims – to develop new audiences pay for new works, widen participation, encouryoung talent and to helr the training of professionals. They mark the first major switch of lottery money from purely capital projects into iar, problematic score. In what amounts to revenue funding. The council has earnumbers (including an aria marked £20m for the scheme in its first year, a tiny sum compared with the £600m it

The City Opera's produchas distributed in 20 months tion - cobbled up by John of lottery funding. Conklin from the skeleton of The type of projects that might be financed through Ming Cho Lee's design of A4E Express would include almost 20 years ago ssemed uninspired (the the studio costs of a teenage usual bits of furniture hanggarage band; a choreographer's fees to help a young ing in mid-air, among other clichés): but musically it dance troupe; professional shope in the conducting of advice for an amateur drama Robert Duerr. He mads s group; commissioning new coherent team from an ademusic for a steel band; or quate, if not scintillating even financing a graffiti artcast in which Olga Makarist. Grants will range

als cannot apply. The bigger scheme, A4E, for which the grants can rise

to £500,000, will interest the largest arts companies. This is designed to finance the commissioning of new plays, music, etc. the touring of new work; artists-in-residence schemes; and the financing of reduced ticket price performances to draw in specific audiences.

If the application is for over £100,000, 15 per cent of the cost must be found. But even here help is at hand. Sir Cameron Mackintosh has come up with a £500,000 Mackintosh Foundation which can be called on for partnership funding. This should ensure that many performing arts groups can tap into lottery money for

The Arts Council expects 5,000 applications for the two schemes in the first year. If it catches the popular imagination it should end once and for all the canard that arts lottery money is only going to the grandest, slitist, London based arts organisa-

With the Arts Council expecting bad news about its 1997-8 grant in the Budget on Tuesday this new initiative provides some relief for the arts community, but it can in no way replace govern-

ment-financed core funding. **Antony Thorncroft**

Theatre/Sarah Hemming

A tale about mercy

f your pulse races at the Lord Shigemori fall in love mere thought of 18thcentury Japanese puppet theatre, then you will need no second hidding to hurry down to the Cottesloe to catch Chikamatsn Monzaemon's Fair Ladies at o Game of Poem Cards. If, on the other hand, the idea sounds as attractive as harikari, you should still make

your way to the Cottesloe. Surprise number one: the erformed not by puppets, but by actors. Sur- is able to move for the exeprise number two: although formal and distant, it is remarkably accessible. Surprise number thres: although set in a world far removed from our own in terms of codes of honour and belief, Peter Oswald's adaptatioo and John Crowley's to bring out the timelessness of the piece and help you appreciate its formal beauty and benign wisdom. In fact, Oswald has avowedly not tried to reproduce the original, but to create a new play from it that he hopes will benefit from the cultural remoteness of Chikamatsu's

The play tells a story

with two maids of honour from the court of the Empress. The Empress's jealons warden tries to thwart their love, abusing his position to bring false mes from the Empress to Lord Shigemori and vice versa. Since this is a rigid society where the rules are harsh and the penalties harsher just about anything, it seems, is punishable hy instant death - th

cution of the lovers. ut he reckons without the clemency of his superiors. Ths Empress and Lord Shigemori, we learn, ars twins, and, though physi-cally separate, they are of one mind. They are able to temper the law with love. Chikamatsu is clearly touching on wise personal conduct, but also on enlightened

To western eyes there is much in the plece that reminds one of Shakespeare, but the feel of the piece is very different and Oswald manages to keep it strange without making it too disabout mercy. It relates what tant. His play is written in happens when two samurai blank verse and is episodic. warriors from the court of Character definition is lim-

ited yet, curiously, this does not seem to matter, and there are some delightfully funny scenes, such as the sight of two noble samural squabbling childishly about who should sit above whom at the table. Vicki Mortimer has come

> set which traverses the auditorium; the audience sit either side of a moving platform which slides the actors to and fro over two gravel rectangles. It seems to match the mood of the piece, my only quibble is that it does not give you a sense of the bleak wintry mountains where the lovers find themselves in exile, and so you lose something of the epic quality of the play. Meanwhile, the actors bring a nice bint of formality to otherwise naturalistic parformances. Olwen Fouéré is mesmerising as the Empress whose impassive face and rigid bearing hide a compas sionate heart, while Colin McFarlane is equally impressive as the dignified Lord Shigemori, who quietly makes clear how tyrannous

up with a striking candle-lit

it is to misuse a giant strength. Cottesloe, London SE1

(0171-928 2252).

here is the impression, among people only vaguely familiar with opera in New York, that the Metropolitan is a house of superstars: Pavarotti. Domingo. Zeffirelli and the like, But, in fact, the Met - whether by choice or hecause of the health and whims of the famous - presents every season a number of younger artists, who often are a source of surorise and pleasure.

Recently, for example, after Placido Domingo sang his scheduled performances of Glordano's Fedora with Mirells Freni, his role of Loris was taken over by the Italian tenor Fabio Armiliato who, since his Mst debnt three seasons ago, has gradually won an enviable position on the roster. Not a particularly refined performer, he has a bold, clarion ring tempered when necessary by honeyed sweetnsss: he brought vocal excitement to an already admired produc-

Similarly, in James Levine's revival of the John Dexter-Josef Svoboda production of The Bartered Bride, after the scheduled Teresa Stratas bowed out. the management called on the young Gwynne Geyer, a debutante of 1992, who has successfully sung several roles in the house, but is still not familiar to the New York public. Her charming inter-pretation of Smetana's Mar-

stars in New York

enka should cause her stock to rise; though the voice is not without some areas of weakness, Geyer possesses a winsome abullience and a devised "grand opera vertrue, supple high register sion" by Michael Kaye, Prethat open a wide, popular pared on the basis of many repertory to her.

oherto Alagna trumpeted here as the tenor of the addition to some unfamiliar coming century can hardly be called for the Muse), it eliminates unknown; but his unlucky debut last year made it important for him to get off to a new start this season. He appeared without fan-fares in two old productions created for other tenors; first in L'elistr d'amore, then in Rigoletto. Thus it was possihle to consider him objec-

tively. In Verdi's complex character study, he was an engaging, youthful, agile Duke, and the vnice was fluent and seductive - though in "Questa o quella" tha conductor Carlo Rizzi drove the

William Weaver | found in cash as the partner

of his birth; to Nov 30

INTERNATIONAL **ARTS**

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345 Michael Chance: performance by the countertenor, accompanied by cellist Lucia Swarts and harpsichordist Siebe Henstra. The programme includes works by Purcell, Handal and Monteverdi: 8.15pm; Nov 25

OPERA Het Muziektheater Tel: 31-20-5518117 L'Orfeo: by Monteverdi. Conducted by Stephen Stubbs performed by the Tragicomedia & Concerto Palatino and the Vocaal Ensembls. Soloists include John Mark Ainsley and Juanita Lascarro: 80m: Nov 28

■ BERLIN

Konzerthaus Tel: 49-30-203090 Kammersymphonie Berlin: with conductor Achim Zimmermann. soprano Carola Nossek, alto

Caren van Oijen, tenor Christoph Späth, bass Andreas Kohn and the Berliner Singakademis perform works by J.S. Bach and Mozart; 8pm; Nov 24

OPERA atsoper Unter den Linden Tel: 49-30-20354438 Götterdämmerung: by Wagner.
 Conducted by Daniel Barenboim, performed by the Staatsoper Unter den Linden. Soloists include Eike-Wirn Schulte, Günter von Kannen and Ulla Gustafsson;

4pm; Nov 24 BONN

OPERA Oper der Stadt Bonn Tel: 49-228-7281 Fidelio: by Beethoven. Conducted by Eugene Kohn and performed by the Chor and Extrachor der Oper der Stadt Bonn and the Orchester der Beethovenhalls Bonn, Soloists include Karen Huffstodt and Kurt Rydl; 7pm; Nov 23

DRESDEN

OPERA Sächsische Staatsoper Dresden Tel: 49-351-49110 Der Fliegende Holländer: by Wagner, Conducted by Siegfried Kurz, performed by the Sächsische Staatsoper Dresden. Soloists include Siegfried Vogel, Waltraud Vogel and Klaus König: 7pm; Nov 23

DUISBURG

Theater der Stadt Duisburg Tsl: 49-203-30090 Il Barbiere di Siviglia: by Rossini. Conducted by Francesco CONCERT Corti, performed by the Deutsche

Hsidemann; 7pm; Nov 24 ■ GLASGOW CONCERT Glasgow Royal Concert Hall Tel: 44-141-3326633 Royal Scottish National

Oramo and pianist Anya Alexeyev perform works by Sibelius and Grieg; 7.30pm; Nov 23

Orchestra: with conductor Sakarl

■ INDIANAPOLIS EXHIBITION Indianapolis Museum of Art Tel: 1-317-923-1331 Egypt in Africa: more than 80 art objects and artifacts are included in this exhibition exploring the African nature of ancient Ecypt. Relationships that are explored include the use of headrests and masks, the manner in which works of art portray humans, the symbolism of.

child figures; to Nov 24 ■ LEIPZIG

CONCERT **Gewandhaus zu Leipzi**g Tel: 49-341-12700 Gewandhaus Bläserquintett:

with planist Elisabeth Leonskaja

perform works by Mozart and

animals, ancestor worship and

divine kingship, tattooing and

scarification, and mother and

Beethoven; 6pm; Nov 24

LONDON Oper am Rhein, Soloists include Barbican Hall Tel: 44-171-6384141 Andrea Edina Ulbrich and Stefan

 Academy of St Martin in the Fields: with conductor Neville Marriner and plantst Alfred Brendel perform Beethoven's Egmont Overture, Op.84, Piano Concerto No.1 and Piano Concerto No.4: 7.30pm: Nov 25 London Symphony Orchestra: with conductor Colin Oavis, pianist Radu Lupu, soprano Hillevi Martinpelto and the London Symphony Chorus perform works

by Mozart and Sibelius; 7.30pm;

Nov 24 Purcell Room Tsl: 44-171-9604242 Gary Ryan: the guitarist

performs works by Giullani, McCombie, J.S. Bach and Piazzolla; 7.30pm; Nov 25 Royal Festival Hall Tel: 44-171-9604242 Maurizio Pollini: the planist performs Beethoven's Sonata No.1 in F minor, Op.2, Sonata No.2 In A, Op.2 and Sonata No.3 in C, Op.2; 7.30pm; Nov

■ MADRID

EXHIBITION Museo Cerraibo Tel: 34-1-5473646 exhibition devoted to the collector, politician and archeologist Enrique de Aguillera y Gombao (1845-1922), on the occasion of the 150th anniversary

■ NEW YORK CONCERT Avery Fisher Hall Tel: 1-212-875-5030

 Czech Philharmonic: with conductor Jiri Belolávek and violinist Alvssa Park perform works by Smetana, Brahms and Dvořák; 3pm; Nov 24 Merkin Concert Hall - Abraham Goodman House Tel:

 Anthony Michael Saridakis: the tenor performs Italian and French songs and arias; 8pm; Nov 23

JAZZ & BLUES Blue Note Tel: 1-212-475-8592 NYU Concert Jazz Ensemble: with special guest Dave Stryker; 9pm & 11.30pm; Nov 25

PARIS CONCERT

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Ensemble Orchestral de Kanazawa: with conductor Hiroyuld Iwaki and violinist Jean-Pierre Wallez perform works by Takemitsu, Prokofiev, Mozart and Beethoven; 8.30pm; Nov 25

EXHIBITION Musée d'Orsay Tel: 33-1 40 49

■ De l'Impressionisme à l'Art Nouveau: this exhibition features works acquired by the museum in the 1990s. Ranging from Impressionism to Art Nouveau, the display includes works by Daumier, Bonnard, Carpeaux.

Maillol, Burne-Jones, Whistler, van de Velde, van Gogh, Valigren, Kupka and others: to Jan 5

between £500 and £5,000, and

only 5 per cent need be

ROME

CONCERT Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Musica Antiqua Köln: with conductor Reinhard Göbel perform works by Handel, Veracini and Telemann; 8.30pm;

VIENNA

Nov 23

OPERA Wiener Staatsoper Tel: 43-1-514442960 Salome: by R. Strauss. Conducted by Peter Schneider, performed by the Wiener Staatsoper, Soloists include Gertrude Jahn, Heinz Zednik and

■ WASHINGTON POTIBITION

Bernd Weikl; 8pm; Nov 24

Freer Gallery of the Smithsonia Institution Tel: 1-202-357-2700 Telling Tales in Japanese Art: an exhibition of 22 examples of Japanese narrative painting dating from the 13th to the 20th centuries. Narrative paintings combine words and images that liiuminate and are inspired by literature; from Nov 23 to May 1

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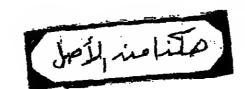
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Sauawk Box

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Financial Times Business Tonight





Philip Stephens

It takes two to tango

Seen from Brussels, the UK has now reached a crossroads in its stormy relationship with the other members of the European Union

On Monday, Malcolm Rifkind, foreign secretary, opens a spacious new office building for the British Permanent Representation to the European Unico. A stooe's throw from the European Commission, it is another monument to the steel and smoked glass school of architecture which has ruined the city of Brussels. Maybe it was chance. The picture, of course, is or perhaps unintended foresight, but the Foreign Office not monochrome. To say has chosen to rent rather than to buy. Either way, It was a prescient move. We cannot now take for granted

plaque outside. It is easy to get overexcited by Britain's spats with its continental neighbours. For the Tory sceptics, these disputes have replaced diplomacy as war by another means. In truth,

that word Permaneot on the

they are mostly trivial. The row over the working time directive is a good example. The directive is a relic of a bygone age. The hysteria owes more to posturing then substance. Ministers bave been beard gently mocking John Major for taking it all so seriously.

As time goes by, however, this comfortably sanguine view of the procession of cross-channel conflicts misses something important - a cumulative corrosion of mutual trust and respect in the relationship. The sceptics at Westminster are no longer alone in contemplating divorce. Britain's partners have started to wonder about bow much longer the marriage will last.

These gloomy thoughts were stirred during a trip to Brussels this week. Do not misunderstand, I found not a single official or diplomat who wanted Britain to wave goodbye. French and German, Spanish or Greek, they would all prefer a reconcillation. Tramping the corridors of Eurocracy you encounter in such officials more sorrow than anger, as much confusion as belligerence.

sive sense that things cannot go oo as they are. The others have chosen their destiny. Mr Major, or Tony Blair if he replaces him in Downing Street, will have to make up their minds. A single currency will soon be a reality, redrawing the political as well as the economic boundaries of the continent. The choice is Europe or not.

that others are marching in perfect step is ebsurd. There are many rows still to be had over economic and monetary union. The differences over the fiscal stability pact which Bonn insists must accompany a single currency are a proxy for a deeply serious rift about whether Spain. Portugal and Italy can join the vanguard of Emu. Most likely only six or seven will be there at the outset, with the others given a promissory note. On another level, a few days in Brussels dispels many of the myths which feed the appetite of anti-

There is a curious irony Europeanism at Westminster. The sceptics who now fill the leadership vacuum in the Tory party see the Commission as the Great Satan of European federal-ism. The prosaic reality is tionism. They are heard in



View from Brussels: Major (inset) must make up his mind

And yet. There is a perva- that this institution is respectful silence. And then others to trim their ambiweaker than for a decade. A paper tiger, one official though, admitted. The bold vision which flowed from Jecques Delors, when he was Commission president, has dimmed, replaced by an erratic flow of consultation pepers. By temperament, Jacques Santer, his successor, has much in common with Mr Major. He is a tacti-

cian not a strategist. The Commission is divided over the issues which touch the rawest nerves around the cabinet table. Padraig Flynn, the social affairs commissioner, boasts of another wave of social legislation. His colleagues show little enthusiasm. If it would but recognice it, Mr Major's government has won the argument on competitiveand flexible markets. Ask Bonn if it thinks tighter regulation of labour markets is a recipe for a successful single currency.

also in the parallel relation-ships in Brussels of Whitehall officialdom and its ministerial masters. Kenneth Clarke, chancellor, is an important exception, but otherwise politicians are paying the price of obstruc-

ignored. Their officials, are highly respected. Thus Nigel Wicks from tha Treasury is steering the complicated technical debate on the single currency. As chairman of the monetary committee, he will get the credit when the deal is finally done. The French Engrques, never humble in these matters, are openly admiring of their British interlocutors.

as their continental colleagues by the antics of the Tory party. You can almost touch their frustration. Surely the politicians understand that the European enterprise has always been about the pooling of sovereignty? Why else would they have passed the 1972 European Communities Act, which states in unambiguous terms that European law may take precedence over that made in Westminster? How else could Mar-garet Thatcher have put her name to the Single European Act, and Mr Major his to the Masstricht treaty?

The present intergovern-

Many of these officials are

as bemused and depressed

mental conference demands no great leap towards federalism. There are difficult issues, of course, particularly over flexibility and immigration. But there is little appetite among others for e big inetitutional shake-up. Chancellor Helmut Kohl has only so much political capital. He intends challenge now is not only to to invest it in persuading any new enterprise but to the German people to give up the D-Mark for the euro. The original aim of the conference was to pave the way for rapid enlargement to the east. The feeling now is that the entry of Poland and its neighbours will have to take

second place to Emu. Yet It is difficult to see how Mr Major's government could now sign any treaty. Obduracy on so many fronts has deprived it of the capacity to negotiate. Absolutism removes the incentive for Britain's place in Europe.

tions. So in Paris, Bonn and Brussels they are waiting for the general election. If the Conservatives win, they will start looking for new agreements outside the framework of the Treaty of Rome. If Mr Blair emerges the victor, a deal would be possible, if not quite as easy

But it is the single currency which defines the future. Some of us in the pro-European camp have never been enthused by this particular project. It bears the mark of the 1980s, when an iron curtain hung across Europe and the balmy days of economic boom were projected into an indefinite future. But that is as may be. It is hard to see what might derail or significantly delay it. And Britain's decision will ultimately shape its wider destiny.

as some would hope.

No one in Brussels expects sterling to be in the first wave. Many think Mr Blair would find it almost as hard as Mr Major to join during the next parliament. Much better, some say, for the pragmatic Brits to participate once e single currency is working. But if a British government opted to stay out indefinitely, as tha Conservatives in their present frame of mind would certainly do, there would be little purpose in remaining in the Union.

This, of course, is what the sceptics want. Their the Treaty of Rome, the very basis of British membership. That message is now being heard abroad. If Mr Rifkind looks closely on Monday, he will see another plaque. It commemorates the official mission which sought to secure British entry to Europe in 1961. President Charles de Gaulle of France vetoed the attempt. It will be a useful reminder, perhaps, that others sometimes decide

Differences treated with respect

Jurek Martin on the improvement of relations between the Clinton administration and China

giant-in-the-making, wanted to be treated with respect by the US, this is the waek when it has reason finally to be satisfied. The Clinton administration has been sending words and signals that bilateral relations in its second term will bear little resemblance to its first - if Beiling and the US Congress

play ball. President Bill Clinton, in Australia en ronte to a Sunday session with President Jiang Zemin in Manila, denounced "containment" of China as "e negative strategy" and promised to "sustain an engagement". The two countries "will continue to have our differences, especially in the area of human rights", but these would be dealt with "openly and respectfully".

Mr Warren Christopher, soon to depart as secretary of state, delivered a similar message in Shanghai yesterday during his first visit to China eince March 1994. "Containment and confrontation will hurt both our nations," he told students at Fudan University, adding that "nations with accountable governments and open societies make for hetter neighbours".

In Washington, the US-China joint economic commission also met for the first time in 2% years. Significantly, it was addressed by Mr Robert Rubin, the powerful treasury secretary whose influence over trade policy is set to grow in Mr Clinton's second term. His focus was on the development of China'e capital markets and his offer of US expertise was pnopalified.

If all goes well at Sunday's meeting, Al Gore, vice-president, will go to China early next year, setting the stage for an exchange of official visits by Presidents Clinton and Jiang later, Either Mr William Perry, the secretary of defence who has estab-

his successor will go to Beijing in the first half of 1997. But US officials concede that fine words and plans cannot eliminate many of and warning against "long tha tensions afflicting the relationship. These cover not merely human rights abuses but also Chinese exports of missile and nuclear technol-

ogies and compliance with

the rules of the World Trade

Organisation, which China

wants to join. Mr Qian Qichen, the Chinese foreign minister, also made clear to Mr Christopher this week that Taiwan remained the core issue in the Sino-American relationship. He demanded the US reduce and ultimately stop arms eales to the island state. That might not pass muster with the US Congress, which incensed Bel-

jing last year by forcing Mr Clinton to grant a US visa to

President Lee Teng-bui of

This month's US general elections, in the opinion of one senior European ambas-sador in Washington, did "little to clarify" congressional ettitudes towards US external policy in general and China in particular. But it does not belp the administration's preference for rapprochement that the Senate foreign relations and armed services committees remain in the hands of Mr Jesse

Taiwan) on Capitol Hill. Equally, the administration has long argued that relations with China should not be dependent on annual renewal of most favoured nation trading status, etill contingent on human rights and other factors. But there seems little disposition on left or right in Congress to relinquish this weapon on trading status or China's membership of the WTO.

This week Senator Jey Rockefeller, the West Virginta Democrat, and seven

If ever China, the prickly with the Chinese military, or colleagues on the finance committee wrote to Mr Clinton insisting on "stringent standards" as a condition of WTO membership for China transition periods" for compliance with its rules. A comparable bill sponsored by Mr Richard Gephardt, the Democratic minority leader.

is in front of the House. US business groups are mostly firmly on the side of helping the development of China into a fully fledged market economy. But Mr Robert Kapp, president of the US-China Business Council, concedes this could mean wrenching changes in China's economic, eociel and even political structures" that must pose severe questions for the present and future Chinese leadership.

Mr Harry Wu, the Chinese-American activist tailed by Beijing for his investigations into labour camps, doubted this week that the party and military leadership could answer those questions. Even Mr Winston Lord, chief China hand at the etate department, spoke recently

of "possible instability". Mr Christopher's negotiations in China this week suggest the US has settled for a policy of incremental improvement on a wide range of issues - with no single issue euch as human rights being allowed to dominate the relationship.

Helms and Mr Strom Thur-He was told, for example mond, the staunchest anti-China would not export communists (and friends of nuclear technologies that are not eubject to international safeguards. That is not a. breakthrough, but it certainly was not a rebuff. It could also belp US industries bid for contracts in Chinese civil nuclear power projects. But consistent US engage-

ment will not be enough to shape the relationship with China. Even Washington's policymakers will be holding their breath when the word finally comes through that Deng Xinoping, the supreme

Passive aid

no help to

From Professor Gordon

ael Franklin (Letters,

November 15) when he

Coravay. Sir, I agree with Sir Mich-

argues for an open and free

world trade system and for

more investment in agricul-

his case in the last para-

tural research. But he spoils

graph of his letter, when he

ogles that work in the soil

and climatic conditions of

Africa and passing all this

Sustainable agricultural

involved in the development

process, not simply as pas-

sive recipients of new tech-

nologies but as active part-

analysis, design and experimentation. New analytical tools, such as participatory

rural appraisal and its relatives, have permitted scientists and farmers to engage

in powerful, constructive

dialogues. And there is well

documented evidence from

the international agricul-

tural research centres and

from the work of numerous

non-governmental organisa

tions, and government agen-

cies also, of successful parti-

development programmes.

for International Agricul-

tural Research has recog-

nised, the green revolution

took as its starting point the

biological change inherent in

producing new high-yielding

food crops and then looked

to determine how the bene-

chain of logic, starting with the socio-economic demands of poor bouseholds and then

appropriate research project.

This requires ective partici-

pation by the poor them-

selves and, as experience

amply demonstrates, it

fits could reach the poor. Now we need to reverse the

seeking to identify the

As the Consultative Group

cipatory, research and

ners in the process of

on to working farmers".

development can only be

achieved if farmers are

calls for "developing technol-

farmers

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LECTES FORTILE EDITOR

Number One Sounce of Budge; London SE1 9HL

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Misreading of Italy's strategy

From Mr Fabrizio Galimberti.

Sir, Your leader "No to the fudge romana" (November 20) (and Lex'e comments on the same day) lambast Italy'e budgetary efforts. They represent, it is said, one-off measures that betray the spirit of Maastricht and do not ensure convergence.

Markets beg to differ, if one is to judge from the nar-rowing of the BTP-bund spread and from the fall of Italian long rates to English levels. Your opinion, moreover, completely misreads Italy's budgetary strategy. Last July the Italian government laid out - and parliament approved - a threeyear budget plan which set an objective of 4.5 per cent of gross domestic product for the central government deficit in 1997 and 3 per cent or lower for 1998 and onwards. A minor change was effected

series of admittedly deliber ate one-off measures the 1998 objective was carried back to 1997. All this has not changed the commitment to keep, for 1998 and onwards, a deficit of 3 per cent or lower (if anything, it has been made easter through

the all-important reduction of interest rates). It is clear that the markets recognise the progress made on the fundamentals. Italy's inflation has fallen this month to the 2 per cent-plus level last attained in 1969; the budget's primary surplus is one of the highest in the world; and Italy keeps consuming less than it produces (which means that all of the

deficit is financed et home). If Italy is allowed into Emu, its excess savings will be made evailable to finance the euro-deficits of other euro-countries.

of thought. Forcing weak continental economies to adopt a pro-cyclical fiscal policy was a far inferior choice to the other two Maastricht-compatible options: to look at evelically adjusted deficits or to move the year of reckoning to

If you do not like the "F"

(fudge) factor please do not blame Italy. Blame the child

ish proponents of the "three

comma zero in 1997" school

Creative accounting has been instigated by unrealistic goals. But all this should not obscure the fact that, underneath the fudge, real and lasting progress is being made, in Italy and in other countries, towards fiscal consolidation.

Fabrizio Galimberti. 12 Kooyongkoot Road, Hawthorn 3122, Australia

More of a sport than a profession

From Mr Andrew Compbell. Sir, Lucy Kellaway's "basic ideas" on manage ment ("Rummage for some commonsense ideas", November 18) seem hardly worthy of your decision to give more space to the topic of management. Let me offer some alternatives. 1. Good management means

knowing your business: knowing what customers want and knowing how to give it to them efficiently. 2. Management is hard when your customers' needs are changing in ways you find hard to satisfy, when your competitors have developed better ways than you of giving customers what they want, or when competitors choose to price close to cost. 3. Many managers are very good: they outperform competitors. But, not all managers of successful businesses are good: many are merely administering the hard work of their predecessors.

4. The rise of management gurus and management books results from a widely held misconception that management is a profession that can be taught. The reality is that it is more like a sport; and each market place is a different sport requiring a coach who understands that market place.

5. Good managers, however, do find writing on management useful. It gives them ideas, and keeps them think ing about how to play their game better than their com-

Lucy Kellaway appears to see management as an administrative activity (how to organise well). I see it as an entrepreneurial activity (how to serve customers better than competitors).

Andrew Campbell, director, Ashridge Strategic Management Centre, 17 Portland Place. London WIN 3AF, UK

Economic view at odds with backing Dole

From Mr Paul Davis. Sir, Michael Prowse's article on the current TIS economic standing ("Hubris on Wall Street", November 18) reinforces the "Goldilocks" scenario now being experienced on Wall Street. The article is somewhat at odds with his recent endorsement of a Boh Dole

presidency. If an economic

"nirvana" has been attained the 15 per cent tax cut would have led to the deficit growing, a balanced budget difficult to justify and interest rates raised from their current natural level.

The day Michael Prowse credits the Clinton administration for opening up foreign markets, regulatory reform, investing in new

technology, and downsizing government, all contributing to sustained economic growth, I'll stop purchasing the Financial Times. My subscription for the

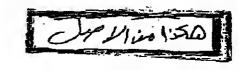
remainder of the Clinton presidency to follow shortly. Paul Davis,

26 Suffolk Road

Sidcup, Kent, UK.

Gordon Conway, vice chancellor. University of Sussex. Falmer, Brighton, UK

works.



Banking barriers

Gradual erosion is eating away at the long-standing separation 10 years the US Congress has of commercial and investment lost its nerve when seemingly banking in both the US and Japan. In the US Mr Eugene Ludwig, the Comptroller of the Currency, has just announced plans to allow national banks to underwrite securities and sell insurance in certain cfrcumstances, further undermining the 1933 Glass-Steagall Act which forced banks to sell off their securities operations.

In Japan, the new govern-

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help to •

ment of Mr Ryutaro Hashimoto has promised sweeping deregulation of the financial system, which could mean big changes to Article 65, the local equivalent of Glass-Steagall. Japan has failed to deliver many promised deregulation packages but this time the government seems made of sterner stuff: witness its decision this week to close Hanwa Bank, the first time in living memory lt has allowed an insolvent bank

Banks in both countries should be freed from these antiquated shackles and allowed to compete in other sectors of the financial services industry, as has long been the case in Europe. Their conventional banking is under threat from a host of rivals: Freedom will help them stay competitive and spread their risks more widely. But in both countries some

lost its nerve when seemingly poised to repeal Glass-Steagall, the last time in 1995 when the insurance agents' lobby stymied

In the US, it has been left to the regulators to make piece-meal progress. Mr Ludwig is pashing forward the frontier by using his powers to decide what constitutes husiness which is "part of or incidental to" banking. Similarly, the Fadaral erve has enabled a handful of domestic and foreign banks under its jurisdiction to generate 10 per cent of revenues from the securities industry - a level which it is considering raising to 25 per cent.

This may be progress, but it is hardly satisfactory that the Compiroller and the Fed consider banks' requests on a case by-case basis, without reference to a broader framework incorporating rules on firewalls tor protection. It also allows banks' rivals to claim, with some fustice, that they are not getting reciprocal rights in

banking. The best answer remains comprehensive legislation, and it is possible a fresh bill will be introduced in Washington next year. The hope must be that Mr Ludwig's bold move will act as a catalyst for congressional

Eurosquabble

The spectacle of the British elected members of all 15 parliaparliament bickering yesterday about whether it should debate European monetary union was not an inspiring example of sovereignty in action.

Of course MPs must debate Emu. The question of whether the UK should try to join in 1999 is one of the most important facing the country for half a

However, yesterday's quarrel, partly manufactured by anti- However, an additional discus-Europeans, was very far from sion of the fiscal and monetary the measured consideration questions surrounding Emn in which this issue requires. More- advance of the Dublin summit over, the immediate cause of next month would at least have the squabble, three documents setting out mechanisms for implementing Emu, were not

worth the fuss. already algued up to in the Maastricht treaty in 1992. They are working papers for discussion by European ministers and are therefore by no means the final rules which Britain will be required to accept or reject as

conditions for a single currency. Europhobe MPs who want to stir up confusion and doubt may pretend that this is another example of the Brussels hureaucrats trampling on British democracy. It is nothing of the

When the EU countries have agreed a final draft of the conditions for a common currency, parliament will have the opportunity to vote on them. It would be quite absurd to expect all great deal louder.

ments to debate and somehow to egree every detail before hand. That is not how the EU works - nor how it could conceivably work.

Even so, when 150 MPs said they wanted to debate the matter, the government would have been wise to find the time. An adjournment debate on Europe (without a substantive-vote)-has been promised for December. shown whether MPs can debate these complex issues sensibly.

This, unfortunately, is parliament'a real difficulty. Both These EU documents reflect main parties are ao deeply agreements which Britain has. divided and, in the pre-election pariod, party politica has become so much of a scrummage that honest argument is

trampled underfoot. The long term advantages of fiscal discipline and monetary stability, how these might be achieved within Emu, and what would be the risks as well as the rewards, may all be the subject of honest disagreement.

But among the raucous chants of party loyalty, and the frenzies of inchoate nationalism from a minority of Europhobes, the voices of common sense are difficult to hear. If parliament wishes to speak for the nation on a subject of historic importance, such voices must speak a

Despite the failure of the Russian Mars mission, the country has an enviable record in launching satellites, writes John Thornhill

Watch this space

he crash of a Russian rocket in the Pacific Ocean this week, destroying a \$300m (£180m) research mission to Mars, has come as a bitter blow to the country's space industry. Observers have been quick to pounce on the spectacular failure as yet another example of the collapse of a oncemighty Russian industry. But perhaps the more remark-

able story of recent years has been how Russia's space industry has survived at all, amid the economic turmoil, and how it is now grabbing an increasing share of the world satellite launch mar-

While Monday'a crash will do nothing to help the Russian space programme's reputation, it is a rare failure for the Proton rocket and for an industry with an unrivalled history of success.

The museum at Russia's Baikonur space centre in the central Asian state of Kazakhstan charts 39 years of space history, illuminating some of mankind's most stunning achievements as well as individual acts of heroism.

The exhibition halls display the rudimentary control panels used to launch Russia'a early space rockets as well as Ivan Ivanovich, the first human mannequin to return from space. More modern exhibits trace the development of tha Proton rocket programme, which has more than 230 success ful launches to its credit.

Mr Yaroslav Nechyosa, the museum's director, relates how a group of single-minded Soviet scientists first pitched their tents at this desolate site in tha middle of a windswept desert in 1955. Six years later. Yuri Gagarin blasted off on his historic mission.

"The first stone-walled building here was built for a computer not a person. That is why we were the first in space," he says.

Since then, Balkonur cosmodrome has been the site of about two-thirds of the world's 3,000 space launches, bringing immense international prestige for its scientists and engineers. Much of Russia's space technology, such as its liquid fuel rocket engine designs, remains unrivalled anywhere else. "Russia was, is, and will be a great space power," runs the slogan above the museum entrance.

-Many feared these skills-would- multi-million dollar contracts be dissipated as the Soviet Union Russia is now winning have broke apart. Starved of government funds and shorn of many of longer-term future with more its military orders, the industry confidence and help support pressat-3 telecommunications satelspeared to face a bleak future as tigious research projects, such as lite and successfully deployed it adapt the Inmarsat satellite to points over the London Interthe cold war ended and economic the orbiting Mir space station. in geo-stationary orbit. priorities changed.

As early as 1987, the Khruni-

will not be among doubters.

ussia's failed Mars mis-

sion might lead some to

discount the country'a

200,000 titanium bicycles to offset the anticipated decline in orders. international links also appeared limited by the obsessive secrecy in which it was cloaked. The lingering wariness of western coun-

tries, fearful of transferring tech-

nology that could be diverted for

military ends, heightened the

mutual distrust. But against the odds, Russia's space industry has successfully launched itself on a new mission of discovery: into the world's commercial satellite market. The allowed the industry to plan its

Last year, the Khrunichev cen-

win 50 per cent of the international commercial launch market by the end of the century using both Russian Proton and US

Atlas rockets. "Our order book is full until 1999 and our clients are having to wait," says Mr Alexander Lebedev, Khrunichev's deputy director, in an interview at the centre's vast plant on the edge of Moscow. Contracts have been signed for 20 commercial launches over the next five years

worth more than \$1bn. The most dramatic sign of Russia's arrival on the world launching scene came in September when a Proton rocket blasted off from Baikonur with the Inmar-

The success rate of the Proton

Ariane at 93 per cent. Inmarsat, an international communications concern representing 79 countries, had previously used several launching systems, including the US Atlas and European Ariane 4 rockets.

But Mr Ramin Khadem, Inmarsat's finance director, says the Proton rocket has both reliability and cost advantages over western launch systems. And at \$36m, the cost of the Inmarsat launch was significantly lower than the \$60m-\$100m charged by western satellite companies - although Russian prices are likely to climb Lebedev has developed an easy sharply as the economy recovers. familiarity with the western However, some of the cost advan-financial world and complains it tage was eroded by the need to is too expensive to borrow money

Proton's specifications. "Costs are going up all the time tre formed a joint venture with rocket, used for both the Inmar- so Russia has a small window of industry will remain competitive: chev space centre, which manu- Lockheed Martin, the US aviation sat launch and the ill-fated Mars opportunity to establish itself as

it all went very smoothly." Khrunichev is involved in several other important programmes, such as the Iridium project devised by Motorola, the US telecommunications company, which aims to launch 66 satellites to provide global coverage for its cellular telephones. It has also signed a joint venture agreement with Dasa, the German aerospace company, to con-

civilian use. While the number of orders from the Russian military have all but dried up, Khrunichev is beginning to win commercial orders from other Russia organisations. The Most media group is planning to use Proton rockets to Russian satellite television service. The Russian central bank wlll also build a satellite telecoms network to link the country's regional branch networks.

vert the military SS-19 rockets for

hrunichev is stili formally wholly owned although it appears to enjoy a considerable degree of managerial free "We are quite satisfied being a state enterprise," says Mr Lebedev. "Everything here belongs to the state, and the state trusts us to manage the centre. But we work like a commercial enterprise and we can invest our profits 100 per cent as we

But Khrunichev may soon have to invest on a substantial scale to build a new cosmodrome in Brazil, Australia or Papua New Guinea, enabling it to launch rockets on a more favourable trajectory. Baikonur's location far from the equator means Khrunichev has to use more powerful and axpensive – rockets than Ariana to put heavy payloads into orbit.

The \$500m-\$600m cost of such a project would have been regarded as small change at the height of the Soviet space programme. But in a graphic sign of the extent to which the space industry's mentality bas changed, Mr Lebedev says Khrunichev will only invest in such projects if they produce a commercial return.

Just back from London, where he has been discussing financing options with local banks, Mr Bank Offered Rate).

But he vows the Russian space "We have to think about what factures most of Russia's space group, to market their satellite rockets, started diversifying. This venture, International Launch Services, aims to group, to market their satellite mission, has been 96 per cent, a reliable partner for satellite our competitors are doing and launches," Mr Khadem says. "We when they take one step we have took a risk, but I am happy to say

Competing cosmic forces

future as a laading space power, but Arianespace them," says Mr Claude Sanchez, Arianespace's spokesman.
"When yon're in the leading The French-based, 53-company position, you can't rest on your

consortium is tha world's leading provider of satellite launchlaurels." Seven consortia are now capaers with more than 50 per cent of bla of launching satellites. In the market. addition to those behind the Rus-But Arianespace faces increasing competition from the Russian Proton, they are:

• Arianespace, which this year sians, Chinese and a new joint venture led by Boeing which plans to launch satellites from a suffered a severe setback when Ariane 5, its newest launcher, converted off-shore oil rig.
"We're very concerned about failed shortly after blast-off

test launches next year, with the hope that Ariane 5 can begin commercial operations in 1998. Lockheed Martin of the US, which manufactures the Atlas rocket and which has formed a joint venture with Krunichev and RSC Energia, another Russian company.

 McDonnell Douglas of the US, rocket to launch bigger satellites from French Guiana. Ariane- than Delta II, its predecessor. • Tha Chineae Long March,

space says it plans two further Hughes of the US, the biggest anufacturer of commercial satellites, has agreed to use 10

• Boeing, which has teamed up with Kvaerner, the Norwegian shipbuilder, RSC Energia and NPO-Yuzhnoye, a Ukrainian rocket manufacturer, to create Sea Launch. It expects its first off-shore launch in 1998. Hughes which is developing the Delta III has agreed to use 10 of these too.

which has been plagued by a A Japanese programme, headed by Mitsubishi, which is expected to make its first com-

mercial launch in 2000. Although other countries, such as Brazil, are developing launchers for small satellites, Mr Stéphane Chenard, a space analyst with Euroconault, the Parisbased consultancy, believes no other country will emerge in the next few years capable of launching the large satellites required

Michael Skapinker

Jets to Jakarta

engage in the arms business annexation of the territory has cannot afford to be all that never been recognised by the choosy about their customers. Yesterday'a British government decision to authorise the further sale of Hawk fighter aircraft to Indonesia is thus understandable, even if It sticks in the throat of those who worry about the appalling record of President Suharto's regime in East Timor.

The argument for restraint Indonesian troops. has some moral appeal, but in reality it is weak. It is not as if ing that most East Timorese Indonesia was intending to use the Hawks directly against the long-suffering population of the have not been asked, and Presiformer Portuguese colony. dent Suharto is vehemently Indonesia's statement that it opposed to a referendum. will not do so is credible. It But if withholding weapons needs riot control weapons in sales will not make any differ-East Timor, not Hawks.

not make the slightest differ- of public opinion does make its ence to President Suharto's mark in prompting Indonesta to basic position that autonomy seek a diplomatic solution. for East Timor is unacceptable. That line is unlikely to change as long as he is alive.

Were Britain to forgo the opportunity, others would take it up. They could justifiably argue that e well-equipped Indonesia is important to maintaining a strategic balance in a region made volatile by the

emerging strength of China. The UK government must make clear, though that its Britain's offer to sell him decision should not be seen as Hawks does not make him or support for Indonesia's occupa-

Companies and countries that tion of East Timor. Jakarta's United Nations and remains, therefore, in contravention of

international law.

Worse still, the occupation has involved unspeakable atrocities, including the infamous Dili massacre of 1991 when, according to the UN, at least 150 east Timoresa demonstrators were wantonly murdered by

It is no good Indonesia arguaccept Jakarta's rule. No one can be sure of that because they

ence, then what will? There is Withholding the sales would some evidence that the weight

The Subarto regime was visihly shocked by the award of the Nobel Peace Prize to East Timor's Bishop Carlos Ximenes Belo. President Suharto is a rare visitor to the west because of public condemnation of his East Timor policy.

Democratic governments are duty bound to remind him of their electors' concern. He should be in no doubt that OBSERVER the Apec trade group, have been ding some last minute dusting of the 18 Mediterranean style illas built for each of the

comport staff were delighted support staff were delighted tylesterday to receive a visit from Philippine President Fidel. Thamos, who inspected secretary inclading the ballarooms. anagasterbush lanuy fuo passagu the works gende hoope ty devices eige heading for oblivion a filloging the collapse of Olympia & York, their flagship His attentiveness was specially endearing as the top

logs - who include President Chinton and China's President Jiang Zemin - will unity he spending half an hour at their specially designed tun abodes. The villas, which will be med after the bead of state who slept there, will then be sold off at \$4m apiece - the higher price presumably. reflecting the extra value of ceiving a presidential flush.

Only one of them - Sir Julius Chan, prime minister of Papua New Guinea - plans to stay overnight. That should be worth an extra som ...

Yesterday, the Eastern Express

grave to haust Robert Knok,

the Malaysian-Chinese tycoon who counts the South

China Morning Post among

newspaper rose from the

following fur collapse of following fur collapse of following state.

Spills spills of their flegship compling stow they are sooned by the following the following the following state of the flegship spills of a composition that the flegship spills and soon the flegship following several following spills of the flegship spills and soon fur have the flegship spills Post haste Fends die hard in Hong Kong, they still think big. particularly when husiness baroos' egos are at stake.

Sleeping degs

his many businesses.
The Express, which was launched in 1994 by tha Ma family's Oriental Press group, distring heads of state. The bit the dust four months ago after failing to win sales and advertising from the Post despite a fierce battle and a regular exchange of barbs.

But that was not its final word. Yesterday's two-page ... special edition - subtitled The Myanmar Connection - posed questions about Kuok's allegedusiness links in Burma, calling for e government investigation and a response from the Malaysian-born business magnate.

They are likely to hear first from Kuok's lawyers. In a statement to the stock exchange the Post rejected any Burmese business ties and said that its chairman had commenced legal

proceedings.
Whatever the outcome. resterday's salvo is sure to rekindle the row between Kuok and C.K. Ma, who launched the Express and who has taken its faiture badly. Unlike his 🗲 English-language daily, this one could run and run.

Wings of wax ■ Another entry for the "how the mighty have fallen" sagas comes from Romania, where:

today parliament reconvenes

after recent general elections.

The Icarus in this case is Ion Illescu, whose seven-year presidency came to an abrupt halt in last Sunday's run-off. Now this former senior aide to dictator Nicolae Ceausescu must contant himself with being a mere senator. -

That's not all. In the house. Hiescu will have to answer to none other than Petre Roman, the new Senate president. The two were once inseparable -Roman was lliescu's first prime minister after Ceausescu's bloody overthrow in 1989. But they have been bitter enemies since Roman'a government was toppled in September 1991.

Now Roman is back in, as part of the new coalition, and Riescu and his ex-communist cronies are getting their taste of the miseries of opposition.

Too little, too late Russia's cynical population barely blinked this week when -Vadim Kisin, a 34-year-old government deputy minister.

was sacked for tax violations and for having allegedly stashed more than \$300,000 eway in a foreign bank account. But the cynics were divided in terms of their surprise. One group were astonished that ha had whittled away so little. The other, ultra-embittered segment of the citizenry suggested that might explain why he was caught...

Dilli Hund Lie illy

Financial II

50 years ago Unilever Group

When the year 1945 was rung out, the value of the assets of Lever Brothers & Unilever Ltd and its Dutch associate N.V., was £241,494,000. The turnover of the main commodities marketed by the group last year was £307,848,000. These figures give a measure of the vast trading empire administered by the two undertakings. Evidently, the task calls for unusual qualities: high executive ebility, close control of day-to-day detail. bold long-term planning and an international approach. In fact these qualities have, on the evidence of the group's record, been characteristic of the group's management, and have helped to carry it through economic blizzards and the world war with unimpaired financial standing. South African Miners

Mr. J.H. Hofmeyr, Minister of Finance, stated that the Government will take an early opportunity to introduce and pass legislation giving statutory recognition to native trade unions. He added, however, that "in view of special circumstances" it was not intended to recognise a trade union for native

Rowe & Maw

LAWYERS FOR BUSINESS

Bank of Japan moves to reassure investors

No need for concern, Hanwa savers told

By William Dawkins in Tokyo

Mr Yasuo Matsushita, governor of the Bank of Japan, yesterday reassured depositors their savings would not be endangered by the closure of a small regional bank.

The closure of Hanwa Bank, the first forced shutdown of this kind in Japan in more than 50 years, was ordered by the finance ministry after an audit showed the bank's liabilities exceeded assets by just over Y30bn (\$270m).

'As in every past failure of financial institutions, all deposits will be protected. There is thus no need for depositors to be concerned and we strongly bope they will act

Despite Mr Matsushita's warning, depositors queued for hours to withdraw their money from Hanwa, which has been allowed to stay open

By Tony Walker in Beijing

Beiling bas warned Walt

Disney that links with a Mar-

tin Scorsese film about the

Dalal Lama would jeopardise

the US entertainment group's

ambitious expansion plans in

China had made it clear to

Disney it wanted the film stopped, an official at the Min-

istry of Radio, Film and Tele-

olutely oppose such a plan."

the official said. "So far as we

know the film is going to be

Disney officials said the com-

pany bad "no connections"

with the production, which

started filming in August.

package of Scorsese projects.

"Our attitude is that we res-

vision said vesterday.

and Christopher Parkes

in Loa Angeles

while the ministry and central the absence of support from bank draw up a new organisa- larger financial institutions, tion to wind down its activities and liquidate assets.

Mr Matsushita declined to ministry officials declined to say whether the central bank say whether they expected would make a direct contribution to depositors, but he made ered by the deposit insurance

Hanwa's insolvency, as in most of Japan's many financial collapses in recent years, resulted from the bank's inability to collect loens taken out to buy overvalued property at the height of the 1980s asset

Industry analysts welcomed the development as an overdue sign from the finance ministry that it was prepared to let the weakest banks go out of business, rather than following previous policy of keeping them alive artificially. Mr Matsushita said that in

Beijing warns Disney

over Dalai Lama film

planned productions from

MCA's Universal Studios to

Disney when Mr Michael

Ovitz, his long-time agent, was

appointed group president of

MCA last summer. The dis-

puted film, Kundun, is listed in

trade publications as a co-pro-

duction between Disney's

Tonchstone Pictures and Ref-

Buena Vista, another Disney

Mr Ovitz, who has spear-

headed Disney's drive into the

Chinese market and visited the

country three times since his

appointment, met President

Jiang Zemin in April, when he

was warned to be sensitive to

tures, the Disney studio listed

Calls to Touchstone Pic-

headquarters, where repeated China's control.

company, is named as US dis-

uge Productions.

Chinese culture.

MCA said it sold the project to as co-producer of the film, Disney last year as part of a were referred to corporate

Tokyo acis, Page 6; see Lex

were not returned.

in south China.

Causing offence in Beijing

could lead to severe setbacks

for any US entertainment

group seeking to cultivate the

1.2bn-strong Chinese market.

Disney and Universal are

vying to open theme parks.

Disney has selected sites in

Shanghai and near Guangzhou

for animation studios, and

publishing and film co-produc-

tions. It recently launched a

It's o Smoll World, with a

Beijing and the Dalai Lama

the exiled spiritual leader of

Tibet, are locked in s

protracted struggle over the

future of the region. Chinese

officials frequently assail the

Dalai Lama as a "splittist"

seeking to remove Tibet from

potential audience of 400m.

The company also has plans

Scorsese transferred several calls requesting clarification

but to close Hanwa, Finance

more collapses, as forecast by

Financial markets took the

Hanwa failure in their stride.

The Nikkei 225 index fell by

0.22 per cent to 21,143,44, bond

prices fell slightly and the dol-

lar ended the day in Tokyo lit-

In another reminder of the

weaknesses in Japanese banks'

management, the finance min-

istry yesterday said that it had

launched an inquiry into wby

officials at the New York branch of Asahi, a leading

commercial bank, bad opened

a confidential Federal Reserve

document containing results of

a Fed inspection of the branch.

bank industry analysts.

tle changed at Y111.6.

cost of the authorities had no choice

By Deborah Hargreaves

in London

Christmas puddings this year after a sharp increase in the price of Californian raisins.

else in the world.

said the poor crop would lead to "substantial trading losses".

The UK imports about 9 per cent of the Californian crop, where production is estimated to have fallen to 380,000 tonnes this year from 450,000 tonnes last year. The fruit's quality was affected by cold weather

late in the growing season. Californian wine growers

Mr Rennell Pugh. "The strength of sterling could help mitigate the price increases, but there is bound to be some resistance to higher prices later in the year," said Mr Yoav Gottesmann, chairman of Sundora, which imports dried fruit.

substitute sultanas. South Africa is the other important is much smaller.

crushers has put pressure on farmers to divert fruit away from the export market. Prices have riseo from 58-59 cents per lb to 65 cents per lb. "It takes four to five tonnes

of fresh grapes to make one tonne of raisins and they need to spend three to four weeks drying in the sun. It is much easier to sell to wine producers," said Mr Rennell Pugh.

may lift **Christmas**

more for mince pies and

Prices have risen 10-15 per cent and are likely to get higher as the export season gets under way next month "Prices in the shops will defi-nitely rise, but it will be worse next year when there will be no stocks to carry over," said Mr David Rennell Pugh, managing director of Rennell Pugh, dried fruit importers in Chester, northern England.

UK supplier of dried fruits and nuts, cited the poor raisin crop as one of the reasons for its second profits warning two weeks ago. The company, which has seen its shares turnble from 110p at flotation three years ago to 151/2p yesterday,

and juice makers bave also increased their demands for fruit, leaving less for the export market. Meanwhile, heavy rains have destroyed about 30,000 tonnes of Turkish sultanas and Afghan raisins children's radio programme, are difficult to import because

erally regarded as the highest traders say it is difficult to producer of raisins but its crop

Increasing demand from wine production and juice

Raisin price rises

Yorkshire Food group, the

of the civil war, according to

Californian raisins are gen-

Consumers may have to pay

Britons will bear the brunt of the price rise - caused by a shortfall in this year's grape crop - because they consume more dried fruit than anyone

> it was making a decent return, that would not matter too much, but it is still only earning about half its cost of capital. The recent pick-up in the share price does not disguise the raw deal sharebolders have suffered over the past decade. Any back-tracking would be bad not only for shareholders but also for German industry, which needs to improve its competitiveness. The

Japanese banks

holders the better.

The Japanese authorities' decision to close Hanwa bank represents welcome progress in the slow rebabilitation of the enfeebled banking sector. In the past the finance ministry offered life support to even the most moribund institutions. This time, with Hanwa's uncollectable loans roughly twice lts capital, no mercy bas been shown. The rights of depositors will be protected, but shareholders are likely to find their boldings worth-

The change reflects a shift in philosophy. Tokyo has realised the need to give greater play to market forces if it is to secure its status as

THE LEX COLUMN

German word-games

Bye-bye sharebolder value; hello FTSE Eurotrack 200: 1871.4 (+3.9) Unternehmenswertsteigerung. Two of Germany's leading advocates of sbarebolder value, Daimler-Benz's Daimler-Benz Mr Jürgen Schrempp and Veba's Mr Share price relative to the DAX inclex Ulrich Hartmann, are eating their words. Such bas been the union backlash that they will, in future, avoid the term when addressing German audiences (though Daimler will still use it when talking to Anglo-Saxon investors). Instead, they will refer to Unternchmenswertsteigerung, which means improving the company's value. So what, one might ask? Nobody ever said shareholder value meant sbort-sighted profit-maximisation

achieved by slashing jobs. If Daimler can placate its unions by using a German word which is not such a red rag to a bull, surely that is all financial market deregulation meawell and good. sures. It is also evidence of increased confidence that the econ-Yes, but only up to a point. After all, in the German tradition, a company exists to benefit all its stake-holders. Unternehmenswertsteigeomy and markets are robust enough to withstand some bad rung does not imply putting news. The effects should be positive - allowing bad banks to fail will shareholders first. The risk is that

reduce overcapacity and encourage Daimler will relax its efforts to more prudent risk management improve returns, following the pain-Much more must be done, howful restructuring of the past year. If ever, if Japan is to acquire a bealthy banking system. Bad loans must be recognised and made public earlier. Accounting standards should also be revised to prevent problems being squirrelled away in unconsolidated subsidiaries. Most important of all, the system of cross-holdings that allows risky equity assets to be held against habilities should be reformed. Doubtfaster Germany can lessen the tenless there will be other casualties sions between employees and invesbefore these issues are resolved tors by turning workers into sharebut Hanwa marks a good start.

British Energy

Never mind the losses; just look at the cashflow, British Energy, the nuclear generator, is proving such 8 formidable cash machine that its net debts have nearly halved in just six months, As with Railtrack, there should be some very red faces in government at such clear evidence of overpadding of the privatised companies' balance sheets.

Investors, by contrast, should be laughing. After a wobbly start, BE shares have outperformed the market robustly. And nothing in yesterday's results suggested these gains were insecure. Not only have electricity prices held up but BE has ed 12 per cent more power out of its stations. Less impressive a premier financial centre - witness was a 6 per cent rise in underlying last week's "Big Bang" package of operating costs, after stripping out

fuel and depreciation. But since BE recently promised to cut staff numbers by 30 per cent, its management probably deserves the benefit of the doubt on this score.

That leaves the question of how the stock should be valued. In theory, a company of this peculiarity has to be valued on discounted cashflows. The snag is that different models provide such wildly divergent results that, collectively they say little. Some investors will conclude they abould avoid the stock altogether. But just as many will look instead at the fully-paid shares' handsome 7.4 per cent prospective yield. On this measure, with cash coming out of BE's ears and a dividend cut looking implausible even on pessimistic assumptions, tha shares still have a certain

Glaxo Wellcome

Like most leading Western pharmaceutical companies, Glaxo leant into the arms of Japanese partners when it pushed into the world's second largest drugs market several decades ago, and has lived to regret

Glaxo Wellcome has 2 per cent of the Japanese market, compared with its 5 per cent share of global drug sales. And key products, particularly Zantac, have failed to replicate their successes elsewhere. Glaxo's problems were exacerbated by having a partnership with a relatively small family group which called the management shots but did not want to put up more capital.

Glaxo has been slow to sort it out, but better late than never. By funding the £354m consideration with local borrowing, the desl will enhance earnings - hard not to. when you pay 0.5 per cent interest. And Glaxo can now turn its attention to Wellcome's separate Japanese joint venture. It is important the group gets a stronger structure in place for its new pipeline of drugs, particularly with growth in existing core markets slowing.

By contrast, the deal may be less welcome for Japan's domestic pharmacentical groups. The flabby Joint venture structure for Western Interests in Japan kept the locals protected from the full rigours of competition. Life must inevitably get tougher at home, and they have all had little success developing any ence elsewhere.

> Additional Lex comment on Safeway, Page 22

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kets. "We don't want to spoil this". UK and European authorities. Boeing said it had not vet

Continued from Page 1

operations under the alliance, still to be approved by the US, decided which engines would power its Boeing 777s. The 757s will use engines made by Rotts-Royce of the UK, the 767s will be powered by engines from General Electric of the US and the 737s will have CFM engines, made by a joint venture between GE and Snecma

> **Europe today** In the wake of a frontal system across Russia, a ridge of high ssure will stretch into wester and central Europe, producing sunny periods and mainly dry conditions in

Later in the day, wintry showers from the UK move towards the north-western region of the continent. Most of Spain and Portugal will continue to be rather cloudy with outbreaks of rain across the north, Italy and the former Yugoslavia will have plenty of rain

with snow or sleet possible in the

Farther south-east, it will stay dry

Most of north-western and northern Europe will continue to be rather cold and unsettled with frequent wintry showers. Most of the Mediterranean will have unsettled conditions with outbreaks of rain or showers. Central and eastern Europe will stay rather cold with wintry showers and sunny periods.

northern regions.

with sunny periods. Five-day forecast

Boeing deal Deutsche Bank funds Continued from Page 1

opportunities in different mar-

He said the decision to place ultimate supervisory responsibility with DWS - Germany's largest mutual fund operation, with about DM100bn under management - applied only to unit trusts and not to institu-

tional asset management. Mr von Heydebreck also said that the bank expected Imro to

of value of the three funds. lmro is conducting its own investigation into the affair. We are in the most inten-

sive discussions with Imro and we both have the firm intention to see this resolved by the end of the year, as soon as possible," be added. Deutsche Morgan Grenfell, the bank's investment banking

operation has dismissed five people for failure to control Mr Young and has also tightened up its compliance practices.

decide by Christmas on possi-

FT WEATHER GUIDE LOW

Warm front ____ Cold front ____ Wind speed in KPH

TODAY'S TEMPERATURES

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"True strength lies in having the courage to do the right thing."

FINANCIAL TIMES

COMPANIES & MARKETS

Friday November 22 1996 OTHE FINANCIAL TIMES LIMITED 1996



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IN BRIEF

BAe talks hint at Euro consortium

British Aerospace yesterday took a step closer to forming a new consortium in European defence electronics, outlining a deal to take a minority stake in STN Atlas, a leading German supplier of military equipment. It is believed BAe is talking of paying about DM270m (\$180.34m) for a 49 per cent stake.

Shares plunge in Johannes Shares plunge in Johannesburg
A one percentage point rise for central bank
marker-rates pushed the rand shead in the foreign exchanges, but created near-mayhem on the Johannesburg stock market where share prices plunged. At the close, the overall index was down 76.5 at 6.774.4. Page 36

British Energy deal struck British Energy, the nuclear utility, said it had struck a 15-year deal with Southern Electric, the south of England electricity company, to develop a long-term electricity supply business Page 22.

Babcock lifts profit but cuts dividend Babcock International, the engineering, facilities management and materials handling group, halved its interim dividend in spite of a 23 per cent increase in underlying first-half profits. The company, reporting pre-exceptional profits up from £2.2m to £2.7m, said shareholders would receive a reduced dividend of 0.625p - compared with 1.250 last time. Page 22

Gold price stips in London Gold's dollar price fell to its lowest level for uearly two years in London with traders saying that producers and speculators both contributed to the drop. At the afternoon fix in London, gold slipped to \$377 a troy ounce, the lowest since March 6 last year, Page 26

Telefónica revamps management Mr Juan Villalonga, chairman of Telefónica, has revealed an overhaul of the Spanish telecoms group's top management ahead of its privatisation. Mr Villalonga has cut the management committee from 16 to 12 members and divided it into three areas. Page 16

Companies in the	his i	ssue
APC .	. 21	Korsa Telecom
Atles Copco	18	Lagardère
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Baldwin	26	Mannesmann
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Bank of New Zeeland	20	Morgen Crucible
Bremer Vulken	. 18	Morgan Guaranty Tist
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British Aerospace	26, 8	Mouvement Deslardina
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British Polythene	26	NSM
CVRD	21	
Cadbury Schweopes	8	P&O
Ced	21	Pacificare Health
Claneros	21	Philips
Coca-Cola	. 8	Powell Duffryn
Сопривене	21	Resal
Credit Apricole	18	Phelometali 26,
DBS Management	26	Rolls-Royce
Dart	26	SNS
	8. 21	STN Atlas 26,
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Bonchmark Govt bonds 24 Bond futures end options Bond prices and yields Commodities prices 28 Dividends envourmed, UK 22 EMS currency rates 25 Eurobond prices 24 Eurobond prices 24 FT/SSP-A World indices 35 FT Gold Mines index 24 EV Short-term int rates 25 FT Gold Mines index 24 EV Short-term int rates 22 EV Street and Street 24 EV Short-term int rates 22 EV Street 24 EV Street 2	Market Sizustics	Umbs/(market)	
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20 Volvo

PRANKFURT Rises	(DAG)			PARIS (FFr)			
Alberta	1253	+	20.5	Air Liquide	782	+	5
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Pulls .				Promise Dice	20.5	_	2.2

Five bid for Greek phones deal

Decision in January as international contest is narrowed down

Panafon and Telestet have

By Kerin Hope in Athens

OTE, Greece's state-owned is examining offers from five out of nine international oper-ators shortlisted last month to belp launch Greece's third mobile telephone network.

The five contenders are Telenor of Norway, Orange of the UK, Mannesmann of Germany, AirTouch of the US and the Swiss PTT. OTE says it will select a partner by the end of January for the \$250m mobile

The rapid growth this year in subscribers to Greece's two rival GSM digital mobile networks has added urgency to OTE's plans to enter the group.

Buoyant

Gucci to

overseas

markets

By Alice Rawsthorn in London

Gucci, the Italian luxury goods

group and one of the hottest

fashion brands of the 1990s.

plans to open three stores in

Japan and two in China next

year as part of an aggressive international expansion strat-

Mr Domenico De Sole, presi-

dent, said Gucci also intended

to extend and refurbish its

Gucci yesterday reported a

69 per cent increase in net rev-

enge to \$230.2m in the three

months to October 31 from

growth for Gucci for the rest of

this year. Mr Edouard de Bois-

gelin, luxury goods analyst at

Merrill Lynch, expects pre-tax

profits to double to \$235m.

from \$113m, on revenue of

Gncci's fortunes have been

\$850m, compared with \$500m.

transformed in the three years

since Mr Tom Ford, a young

Texan, took over as chief

designer and rejuvenated its

fashion collections. LVMH, the

luxury goods group, last month appointed new chief

designers for three brands -

Louis Vuitton, Christian Dior

and Givenchy - to emulate

Demand for Mr Ford's autumn collection has been so

strong that many items sold

out as soon as they went on

The robust third quarter brought total revenue for the first three quarters of the year to \$620.2m, an 81 per cent

increase over the correspond-

Mr De Sole said he was "delighted" with Gucci's per-

fident" about its prospects for

Gucci's shares, which have

went public and risen sharply

The strongest product sector

more room for shoes and bags.

He said wholesale sales of

the spring range, which received weaker reviews than

Mr Ford's previous collections,

were higher than for the same

Over the next few seasons,

Gucci intends to develop its

luggage and silk ranges, and

over the long term it plans to

expand bomewares to include

a wider selection of products.

another priority, starting next

week with the opening of a

Berlin store. There will be fur-

ther openings in Osaka, Bei-

jing, Shanghai and Frankfurt

in spring 1997, and two in

Existing stores will also be

refurbished in a programme

expected to last three years,

starting with the flagship out-

lets in Florence, New York,

Beverly Hills, Dallas and Lon-

Tokyo next autumn.

International expansion is

season last year

ing period last year.

the full year.

from \$24.9m.

Gueci's success

existing stores.

expand in

mobile market. With almost 500,000 subscribers, a penetration rate of 2.5 per cent, Greece telcommunications company, is one of Europe's fastestgrowing markets for mobile telephony. OTE aims to launch the new

> mobile market projected to reach 1.2m subscribers by 2000. Panafon, a consortium that includes Vodafone of the UK, France Télécom and Intracom. the Greek telecoms equipment manufacturer, has built a slightly larger market share than Tslestet, controlled by Italy's Stat International. Nynex of the US and Intera-

networks which cover more than 90 per cent of the mainland and the Aegean islands. Panafon says the number of subscribers will almost double network in 1998 and hopes to this year to 460,000. capture a 30 per cent share of a The two cellular operators have run fierce campaigns to boost market share ahead of

OTE's entry into the mobile telephone field. One analyst said: "There is a fear that after this year's spurt the market may reach a platean sooner than had been expected. OTE is under pressure to select an operator that will be able to get the network merican, the Greek insurance up and running as fast as pos-

The other four operators on invested Dr140bn (\$588m) in the shortlist were BellSouth Europe and SBC Communications of the US. Bouygues of France and TeleDanmark, the Danish state telecoms com-

CS First Boston, the international investment bank which advised the Greek government on the auction of two mobile licences in 1992, and Alpha Finance, the Greek investment bank, are advising OTE. The new project will be

launched by an OTE subsidiary, in which the interna-tional operator would have a 30 per cent equity stake and would elso manage

The company's equity capi-

The Greek telecoms operator, which was floated on the Athens stock exchange earlier this year, says it is trying to improve competitiveness as fast as possible. It wes

excluded by the government from bidding for one of the two mobile licences awarded in 1982, on the grounds that it was too inefficiently managed to provide the required quality of service. The European Union has

questioned the Greek government over its decision to issue a mobile licence to OTE without holding au international tender in a decision that appeared to violate EU compe-

Allianz to take extra 20% MMI stake in \$79m deal

By Nikki Tait in Sydney

Allianz, the German insurer. plans to strengthen its strategic relationship with MMI by raising its stake in the Australian insurance and financial services group from nearly 18 per cent to 38 per cent et a cost of A\$100m (\$79m).

At the same time, MMI will take a minority stake in Allianz's Singapore operations. which have been designated as the Germeo group's Asian regional headquarters.

Allianz will pay A\$4 e share to raise its MMI holding, a slight premium to the Australian gronp'e current market price, which closed 6 cents higher yesterday at A\$3.92.

MMI, which was floated on the Australian market by a New South Wales-based industry association two years ago, will acquire its 20 per ceut stake in Allianz (Singapore) for A\$23.9m.

The Singapore unit is mainly involved in underwriting various classes of general insurance, However, as the regional headquarters for Allianz'e growing Asian operations, it will also become the focus for regional reinsurance business.

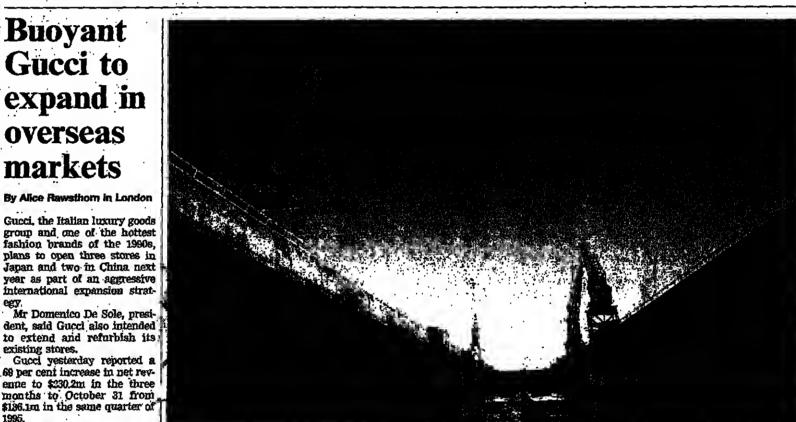
MMI, which will need shareholder approval for the deal, claimed the investment should be an "important strategic development" for the company, giving it access to the Singapore insurance market and to Allianz's regional reinsurance business.

MMI, which first forged the link with Allianz a year ago, has long sought to expand into south-east Asia.

Allianz will buy its MMI shares from the industry association, which at the time of per cent interest in MMI for two years. The deal will leave its remaining holding at 31 per cent, which it intends to retain for a further two years.

The two transactions are also being backed by a "business expansion agreement". MMI said this provided for the opportunity to acquire equity interests in Allianz's Asian operations, and for active support from the German group to develop an inwards reinsur-

Allianz's additional investment in MMI is subject to compensation claims. | approval from Australia's For-Picture: Solent News | eign Investment Review Board.



A&P chooses Hambros to plan venture

ship repair and conversion company, has appointed Hambros Bank to draw up plans for a possible flotation or trade sale next year.

The company - which is preparing its King George V dry dock (above) for today's arrival of the Cunard flagship QE2 at its Southampton yard - has asked Hambros to come

By Tim Burt in London up with denaute up with up with detailed options for A&P Group, the UK's largest a possible merger or joint venture with German rivale Blohm and Voss.

"We are seeking their opinion mainly on whether to float this business or seek a third party buyer," said Mr Paul Lester, chairman.

A&P. which claims to be Europe's most profitable ship repairer, chose Hambros after it had received presentations

ship broking experience and .

corporate finance role with groups such as P&O as reasons for the decision. 41 per cent owned by Schroder Venture Managers, is this year

(\$6.17m) to about £10m, on

increased sales of £130m

The ship repairer, which is Southampton yard. expected to report pre-tax profits np from £3.74m

from five revival merchant (£66.4m). That improvement has been fuelled by some Mr Lester cited the bank's large refit orders, including the £12m contract for the QE2

> The order has created up to 1.000 temporary jobs at A&P's It is the QE2's first refit

since a botched overhaul of 1994, which led to a wave of customer complaints and £8.4m in compensation claims.

Glaxo to buy out partner in Japan venture for \$594m

By Daniel Green in London

formance and "reasonably con-Glaxo Wellcome, the world's largest pharmaceuticals company, is to take full control of trebled in the year since it its Japanese joint venture, Nippon Glaxo, for Y66bn (\$594m). in recent weeks, fell F19.70 to F1 124.70 yesterday on profit

It is buying out its equal partner, Shin Nihon Jitsugyo. which will also receive Y1.88bn in lieu of dividends for 1996. The move follows many years of disappointing sales in

was leather goods, including luggage and bags, where reve-nue almost doubled to \$129.3m during the third quarter. Shoes Japan, the world's second bigmustered a 69 per cent increase in revenue to \$42.1m, gest pharmaceuticals market. The company hopes that by taking full control it can Fashion sales grew more nodestly by 17 per cent to improve the performance. It \$22.9m, from \$19.5m. Mr De also ends links with the Konishi family, owner of Shin Sole attributed the elower Nihon Jitsugyo, that date back growth to space constraints in Gucci's Asian stores, where to 1954. Glaxo joins a growing band clothes were removed to make

of pharmaceuticals companies that have taken management control over their Japanese joint ventures. They include Merck of the US, Astra of Sweden and Germany's Bayer. Until recently, a local partner was seen as necessary to

sell drugs in Japan, where the healthcare culture differs from western countries. Some doctors, for example, sell the drugs they prescribe. Glaxo still has a Japanese joint venture partner, Sumitomo, which it acquired when

it bought the UK drugs company, Wellcome, last year. Glazo has no plans to end the relationship in the short term. Glaxo has been in talks for several years with the Konishi family over ending their venture. Mr Hiroshi Konishi, Nippon Glaxo's president, had Korean law changed to allow

Glazo until January 1995 when



his position at Nippon Glaxo

interest over the talks. At the time, the reason given was that he had to concentrate on improving the joint venture's performance in Japan.

Glavo Wellcome has 2 per cent of the Japanese pharmacenticals market compared with 5 per cent of the world market

Nippon Glaxo's net assets at June 30 1996 were Y30.7bn. Its after-tax profits for the first six months of 1996 were Y2.5bn. The deal will be financed through local borrowing. Mr Hiroshi Konishi and Mr

and general manager, will relinguish their positions but will remain members of the board of Nippon Glavo. Glazo ended a joint venture in Korea in March 1995 after

been a full board member of 100 per cent foreign ownership.

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COMPANIES AND FINANCE: EUROPE

Volvo GM has eye back on the ball

Swedish truck maker's loss-making US unit has a new model and a new chief

top manager who defects is a measure of his worth. then Volvo has reason to be pleased it hired Mr Marc Gustafson

Mr Gustafson has just taken over as chief executive of Volvo GM Heavy Truck, the Swedish vehicle group's loss-making US subsidiary. After announcing the loss of 140 jobs - 10 per cent of the workforce - at its main plant in August, the US operation last month revealed further woes by reporting the closure of its Orrville, Ohio plant to staunch losses caused by a collapse in market share.

The sharply reduced sales and one-off closure charges lay behind the third quarter loss of SKr665m (\$101m) reported by Volvo Truck Corporation, the Swedish parent company. That compared with profits of SKribn last year. The closure of Orrville alone accounted for a SKr700m charge, whila Volvo GM's accumulated loss was SKr1.4bn in the first nine months of this year.

Mr Gustafson believes Volvo GM, in which the US carmaker has a 13 per cent share, will return to profit by 1998. Having moved from Mack Trucks, Renault's for GM'a existing products, merly loss-making US truck admits Mr Karl-Erling Tro-

two companies over a may carry more weight than a rank outsider. Although Mack is still a long way from glittering earnings, its survival is no longer at risk.

The recipe for Volvo GM's recovery will be similar to the one that Mr Gustafson, aged 44, helped push through at Mack. The emphasis will be on cutting costs and raising productivity to boister the company against the volatile US heavy truck market. Other similarities will include looking for synergies with the European parent company and developing new models to restore sales.

The difference this time. however, is that much of the work has been done. Volvo GM has just rolled out its VN heavy truck. Mr Gustafson says the company has booked more than 2.000 orders since the September launch and hopes to deliver 700-800 units before the yearend.

tronically, the VN, based on Volvo's highly-successful FH range in Europe, was one of the causes of its problems. So determined was the former management to ensure the new vehicle would be up to scratch that it partly. ignored falling sales of Volvo

If a legal spat between aubsidiary, Mr Gustafson gen, chief executive of Volvo's truck division.

Although the VN is now have to ensure production can be increased smoothly to make the most of the \$160m investment in new paint and can facilities installed at its New River Valley plant as part of the VN project.

The revamped factory will be instrumental in producing a wider variety of VN models than available on the Aero range, which it partly replaces. Lack of a sufficient variants of the Aero - to remain in production for another two years - is one reason why Volvo CM lost market share this year.

Most US truckmakers have reported lower earnings, not least because the Class 8 market for vehicles of more than 15 tonnes has contracted 15 per cent so far this year. But Voivo GM's sales have dropped by twice that. That means neither turnover nor output in 1996 will match last year's \$1.6bn on

The fall stems from the company's relative dependence on the depressed "less than load". ent of the Class 8 market and its lack of a competitive vehicle in the buoyant "premium sleeper" sector.

sleepers" - vehicles with luxurious living accommodaon sale, the company will tion - has surged because of a dearth of experienced driv- ual markets, using simplified ers. Hauliers have had to basic modules. Having lure staff with superior already spawned the VN, the vehicles to retain their FH will eventually foster loyalty. Salf-employed long-distance drivers, meanwhile, have always preferred premium sleepers, to save on accommodation costs. Such vehicles now make up one

> tor market. A premium sleeper version the VN shoold be launched in April. But Mr Trogen recognises broadening the range is not enough. Marketing is being stepped up to regain share. Early signs look promising: Volvo GM's share rose above 10 per cent in September after dipping to average 9.5 per cent in the first nine months.

third of the heavy truck trac-

The company has also instituted savage cost cuts, with target savings from 5 per cent for materials to 35 per cent for corporate expenses. The biggest cut has been Orrville. The plant, which builds the Aero, will close next April with the loss of about 800 jobs.

Mr Gustafson is confident Volvo GM will bounce back. His optimism is based on prospects for the VN, and on Volvo's broader strategy to

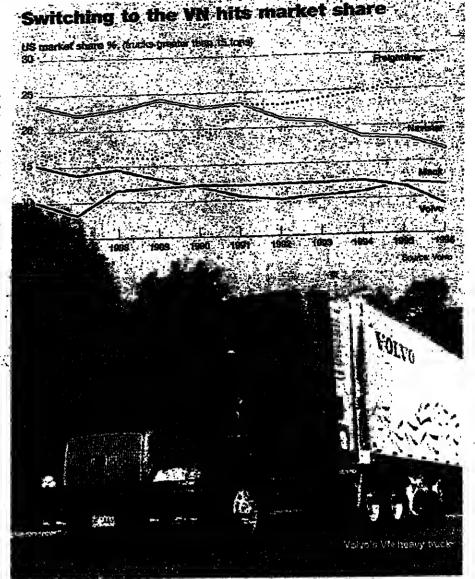
Demand for "premium integrate its international truck activities. The VN is part of a plan to develop new vehicles, variable for individanother version for Brazil Similar projects are planned for Volvo's lighter models. The aim is to cut the number of separate parts used from 40,000 in 1995 to 25,000

> n the US. Volvo GM also wants to persuade more buyers to specify proprietary engines and gearboxes. as opposed to the industry practice of tailoring vehicles to individual customer's requirements with engines and gearboxes from outside

Selling trucks with a manufacturer's own engine and gearbox offers long-term earmings on spare parts, as well as higher margins.

Volvo would like to raise the proportion of trucks sold with its own engines to 24 per cent next year from 9.7 per cent in 1993. The only other company which builds such "integrated" vehicles is Mack - another reason, perhaps, for hiring Mr Gus-

Haig Simonian



Telefónica revamps management

By Tom Burns in Madrid

Mr Juan Villalonga, who was appointed chairman of Telefónica last June, has revealed a sweeping overhaul of the Spanish telecoms group's top management shead of its forthcoming privatisation and the sector's deregulation.

Mr Villalonga has reduced Telefónica's management committee from 16 to 12 members. 11 of which were announced yesterday, and divided the committee into three area

The changes alm to tighten the chairman's hands-on management style and focus the group more tightly on business profit

The government is due to sell its remaining 21 per cent stake in Telefonica in late sists of five members and January or early February forms one of the three areas prise mobile services, compa-statement today.

next year in a disposal that will raise more than Pta469bn (\$3.7bn) at current market prices.

Later next year, a second operator will begin offering basic telephony services in Spain, and by December 1998 the domestic telecoms industry will be fully liberalised.

Mr Villalonga, a close friend of prime minister Mr. José María Aznar, was appointed Telefonica chairman shortly after Mr Aznar took office at the head of the new centre-right govern-

Joining the telecome group. brought two former colleagues from the US investment bank to the group's corporate centre - created during the management overhaul. The centre con- loss accounts.

of the slimmed-down management committee.

Mr Villalonga has also brought in four more outsiders as senior executives of the telecoms group. Of the 11 management committee members, six have joined the company since Mr Villalonga was appointed chairman.

A surprising feature of the overhaul is that the position of finance director, one of the posts in the corporatecentre area, has been temporarily left vacant. The company said the position would be filled in January.

A second management from Bankers Trust, he has committee area, termed business units, divides Telefónica's operations into five revenue-raising divisions which will each be responsible for their own profit and

nies, residential accounts, Telefónica International, which manages subsidiary companies in Latin America and international, a unit which will focus on Unisource. This is Telefônica's alliance with the Dutch.

operators. The third area in the management committee is known as resource units and has two divisions, one dealing with infrastructure and another with resources.

Swedish and Swiss telecoms

 Shares in Aguas de Barcelona, the water treatment group, fell Pta70 to Pta5,080 yesterday amid speculation that 4BV is to sell around half of its 10.3 per cent stake, Renter adds from Madrid. IBV, a joint venture between the Iberdrola electrical ntility and Banco Bilbao Viz-These profit centres com- caya, said it would make a

Banking and insurance lift ING

By Gordon Cramb

Strong performances by ING's banking and insurance divisions pushed the Dutch financial group's net profits 24.1 per cent ahead to Fl 2.34bn (\$1.4bn) in the nine mooths to September.

The company strengthened its full year forecast, to deal with those issues, as and said it expected a marked increase in earnings per share, which for the nine months stood at F13.23, compared with Fi 2.75 in the same period last year. In August, ING said that earn-including Barings of the UK side to F15.46bn, hampered ings would be higher than 1995 - when, adjusted for a subsequent stock split, FI 3.84 a share was recorded.

Operating expenses were swelled in the nine months by provisions of Fl 150m on the insurance side and per cent to Fi 1.98bn. Fl 125m in banking. These

were made in part because by bigher commission of the outlay on information income recorded by the technology needed to adjust other banking operations, as to the planned introduction well as Barings. These of the single European cur- ranged from securities and rency in just over two years. .. corporate finance and higher and to problems many computer clocks will have with the year 2000.

Personnel costs were inflated by hiring specialists end of 1995. -well as by ING's international expansion and the year earlier to FI 1.72hn. Preintroduction of a 36-hour mium income for life busiworking week among Dutch bank staff. Banking

and an initial contribution by a severe winter and from Poland's Bank Slaski, storms in the US. Baderwrit. lifted profits 26.9 per cent to ing expenditure rose 12.7 per Fl 1.62hn before tax. Net interest income rose 13.2 per cent to FI 5.21bn while commission income jumped 35.1 The increase was belped

health policies. Group assets at September 30 stood at since the start of the year. • Two smaller Dutch bancassurance groups plan to fees for asset management. tion with nearly Fl 40bn in the group said. The interest assets, in a further consolimargin narrowed to 246 per cent from 2.49 per cent at the

In insurance, pre-tax profits rose 16 per cent from a ness was up 11 per cent at. Fl 11.53bn. But it rose only 4.5 per cent on the non-life cent to F1 18,40hn.

Both insurance divisions performed well in Australia and the Netherlands, where reduced state protection has led to a strong demand for

F1 465.5bn, up t7.5 per cent merge to create an institudation of the sector. Read, based in Utrecht.

and SNS, of Den Bosch, said yesterday they had launched a study into the possibilities for integral co-operation which should be concluded in the first half of next year. Reaal derived 87 per cent of its income last year from insurance while SNS, which would account for Fl 27.5bn of combined assets, drew 73 per cent of its revenues from banking. The groups, which together employ about 4,400

staff, said the lack of overlap

would minimise any impact

EURO DISNEY S.C.A.

1996 ANNUAL RESULTS NET INCOME ADVANCES 77% TO FF. 202 MILLION

KEY FIGURES (UNAUDITED)

YEAR ENDEO SEPTEMBER 30 (FF MILLIONS)	1996	1995	CHANGE
THEME PARK ATTENDANCE (in millions)	I1.7	10.7	+9%
HOTEL OCCUPANCY	72%	68%	+ 4 pts
THEME PARK AND RESORT REVENUES	4.968	4.572	+9%
COSTS AND EXPENSES	4.244	4,105	+3%
INCOME REFORE LEASE AND FINANCIAL CHARGES	724	467	+ 55 %
LEASE AND FINANCIAL CHARGES	(568)	(465)	+ 22 %
INCOME BEFORE EXCEPTIONAL ITEMS	156	ż	N/S
EXCEPTIONAL INCOME, NET	46	112	- 59%
NET INCOME	202	114	+ 77 %

The Group annunced that is has significantly improved its financial performance in a difficult French tourism environment and despite an increase in lease and financial charges of FF 103 million during the period. These improved results are due to an increase in both Theme Park and hntel revenues and tight cost management.

11.7 million visitors to the Theme Park:

in fiscal 1996. The increase in attendance and a slight rise in visitur spending largely uffset the reductions in admission prices which were introduced in April 1995.

72% occupancy rate in the hutels Hntel revenues were up 11 % in FF 2 billion. As in fiscal 1995, the effects of seasonal

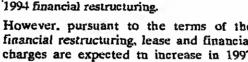
fluctuations in demand were reduced. The Group's strong operating performance

more than offset the FF 103 million increase

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However, pursuant to the terms of the financial restructuring, lease and financial charges are expected to increase in 1997 and in future years as the benefits from the financial restructuring will continue to

Philippe Bourguignon, Chairman and Chief Executive Officer of Euro Disney S.A. said:

"We are proud of what hos been occomplished in a difficult economic environment. particularly for the tourism industry, Persistant weakness in the economy, constant pressure on our prices and the strong increase in financial charges constitute several real challenges for the future, particularly in 1997. One thing is certain: our public endorsement



in lease and financial charges resulting from the planned reduction of benefits from the

is definitively demonstrated."



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PT Bank Ekspor Impor Indonesia (Persero), Singapore Branch Chungbu Leasing & Finance (H.K.) Ltd. Hanwha Merchant Bank PAN ASIA BANK Seoul Leasing & Finance (H.K.) Limited Taishin International Bank Yeungnam Merchant Banking Corporation KEB Leasing & Finance Ltd. Kookmin Leasing & Finance (Hong Kong) Limited Korea Industrial Leasing Company (Hong Kong) Limited Korea Leasing (Singapore) Pte Ltd

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COMPANIES AND FINANCE: EUROPE

Dresdner to strengthen investment banking

By Andrew Fisher in Frankfurt and Simon Kuper in London

Dresdner Bank planned to step up its investment banking activities next year through a closer integration of UK-based Kleinwort Benson, which would manage the group's global corporate finance and equities business from London. Mr Hansgeorg Hofmann, a director,

But derivatives, foreign exchange and bonds activities, in which the German bank is strong, would continue to be managed from Frankfurt, he added.

Dresdner also wanted to co-ordinete group-wide project financing - carried out in London, Frankfurt,

Singapore, New York and Madrid under one manager. It had not yet been decided whether this would be done in Germany or the UK. Kleinwort said no jobs would be cut in any of its divisions.

Mr Holmann said Dresdner investment banking in Europe, competing especially with US investment houses. It would then look to other markets such as Asia. The bank has already merged its Tokyo and New York activities with Kleinwort Benson. The full investment banking integration

takes effect in January. Explaining why Dresdner had taken a cautious approach towards integrating Kleinwort Benson,

DM2hn (\$1.3bn), Mr Hofmann said in London through Kleinwort Benthe German bank did not want to son, which is strong in research force the pace or try to change the and marketing. "We also want to European cities such as Frankfurt culture by hiring a host of new people. Everything has been fairly noiseless," he said. "We don't want intended to become a leader in to go in with our Teutonic boots. We want to give people time to get

> Dresdner's approach has been far less aggressive than that of rival Deutsche Bank, which has spent heavily to expand its Deutsche Morgan Grenfell investment banking operation. But Mr Hofmann said combining the Dresdner and Kleinwort operations "cannot be forced overnight".

He said Dresdner wanted to

build up a cross-border M&A [mergers and ecquisitions] business. We have an excellent position in M&A in Britain but we have to build up the sort of presence in Germany that Dresdner Bank alone could never do."

The investment banking plans. approved by the board last night. will be announced in more detail

Dresdner, by choosing to keep managing its currencles operations from Frankfurt, joins several other banks which have recently decided to restructure their foreign of the trading at their home bases.

which it bought last year for develop primary equities business exchange divisions around their home bases. The German bank's decision suggests that continental and Paris can remain viable foreign exchange centres, even if the arrival of the single currency ends trading in European Monetary System currencie

Kleinwort said: "Dresdner Bank was always bigger in currencies than we are But London is the world's pre-eminent centre for the currencies markets." This autumn NationsBank, Bank of America, HSBC Markets and several other banks have shut down some of their struggling foreign exchange operations and concentrated more

EUROPEAN NEWS DIGEST

Atlas Copco bucks trend with 9% rise

Atlas Copco. the Swedish engineering group, yesterday bucked a trend of sharp earnings reverses for leading Swedish exporters this year by reporting a 9 per cent acrease in nine-month profits.

The group, a leading member of the Wallenberg industrial empire and a leading maker of power tools and compressors, overcame a stronger krona and weak European demand to lift pre-tax profits from SKr2.1bn to SKr2.2bn (\$333m). Earnings per share rose from SKr7.30 to

The figures were in line with market expectations, but Atlas shares rose SKr3.50 to SKr144.50 on the Stockholm bourse. Atlas said orders declined in most European markets, including Germany, France and the UK. However, positive trends were noted in Italy, Benelux and eastern Europe, while substantial increases were seen in Asia-Pacific, Australia and Latin America. This helped to sustain group operating margins, after allowing for a SKr117m net one-time gain on the sale of a hydraulics business in February and restructuring costs in Atlas's industrial technique unit.

Third-quarter operating profits advanced from SKr619m to SKr832m, in spite of a slip in sales from SKr6.1bn to SKr5.9bn. Orders fell I per cent, or 5 per cent on a comparable basis. Net profits also declined, from SKr450m to SKr397m, as a result of higher tax charges.

Nine-month sales progressed from SKr17.8bn to SKr18.3hn, but decreased 6 per cent on a like-for-like basis. The stronger krona had a negative effect of 9 per cent. Mr Michael Treschow, chief executive, said demand in the near future was expected to remain largely unchanged and the group's earlier forecast of improved full-year earnings stood firm.

He said the weakness in demand had affected in particular small and medium-sized compressors and power tools. Demand for large compressors, drill rigs. oaders and assembly systems improved, while demand for electric power tools recovered slightly towards the end of the period. Operating profits in compressors rose from SRr1.26bn to SKr1.81bn in spite of a fall in sales from SKr8.4bn to SKr8.1bn. Operating margins improved because of higher productivity, Atlas said.

In construction and mining tools, operating profits advanced from SKr266m to SKr284m. Sales were SKr4.3bn,

Orders in the power tools division increased 23 per cent. nelping lift operating profits from SKr484m to SKr614m. Turnover grew from SKr4.9bn to SKr5.9bn, aided by buoyant sales at Milwaukee Electric Tool corporation of Greg Mchor, Stockholm the US, acquired last year.

Philips takes stake in Elekta

Philips, the Dutch electronics group, is to take a minority stake in Elekta, a Swedish maker of medical equipment, as part of a deal which will put Philips radiotherapy systems unit under the control of its new associate. Philips, which supplies cancer care products in more than 60 countries, will continue to operate sales and service organisations for the division.

The Eindhoven-based company has acknowledged in recent months that it needs partners in a number of the sectors in which it is active. The Stockholm based Elekta is a leading supplier of image guided surgical instruments and treatment software.

Philips said the merger would strengthen the technological base and enhance services. It did not disclose financial details and described the size of its planned sharebolding in Elekta only as substantial. Gordon Cramb, Amsterdam

Sphinx Gustavsberg in red

Sphinx Gustavsberg, the Dutch maker of bathroom fixtures, fell into a F1 2.4m (\$1.4m) interim net loss, compared with profits of Fl 14.5m, amid what it described as fierce price competition and a weak building market t Germany. Restructuring and reorganisation measures have been given high priority, it added, following the failure of a planned merger of its operations with those of Switzerland's Keramik Laufen.

That would have created Europe's biggest sanitaryware manufacturer and shielded Sphinx against what it said yesterday had been a shift in the product mix towards products with a lower margin. Sales rose 8.2 per cent to FI 400.1m in the first half to September, although most of this came from the consolidation of its Schock Bad unit. The company said market conditions remained difficult.

especially in Germany and France, but it expected a modest profit for the full year.

Axa upbeat on profit

Axa, the French insurance group acquiring its rival Union des Assurances de Paris, said net profit was expected to be significantly higher in 1996 than in 1995, when it was FFr97.73bn, the company said in a prospectus containing details of its share exchange offer with UAP. The exchange offer runs from today to December 18.

UAP still expected net profit in 1996 to be around double the FFr860m (\$170m) it made in the first half, the company said in its prospectus. AFX News, Paris

Banks to integrate units

Crédit Agricole, the French mutual bank, said it would reorganise its operations to integrate Banque Indosuez by linking the two groups' bourse and asset management operations, but leaving their private banking activities

In July, Crédit Agricole bought a 41 per cent stake in Banque Indosuez. Mr Lucien Douroux, Crédit Agricole director general, said it was proper for Banque Indosuez to reach a return on capital of 9 per cent in 1988 and 12 per cent after that.

Under the reorganisation, Crédit Agricole unit Unicredit will be allied with Banque Indosuez, with Unicredit's chairman, Mr Philippe Guiral, joining the Indosuez management board.

Mr Douroux also said that bringing together the bourse units of Caisse Nationale du Crédit Agricole -Dynabourse and Hayaux du Tilly – and Indosuez's

Chevreux de Virieu, which have a total 14 per cent market share, will create a majorplayer in France. The two groups' international asset management Mr Thierry Coste. The two groups' private banking

operations will also be linked under CNCA deputy general activities will remain separate. Mr Douroux said that there was some overlap of activities, and if staff cuts were needed they would be carried out without any layoffs.

Polish bank seeks listing

Wschodni Bank Cukrownictwa, the Polish medium-size bank, wants to enter the Warsaw bourse in the second half of 1997 after a 10m zloty initial public offering. yesterday said Mr Stanislaw Miedziak, the bank's

The bank, based in the eastern city of Lublin, had a nat profit of 7.2m zlotys last year on 90m zloty revenue from interest. It expects its net profit to stay flat this year on 100m zloty revenue from interest. The bank's current main shareholder is sugar refinery Lublin, which holds 20 per cent in the bank.

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The second secon

Moulinex shares surge as Soros takes stake

By David Owen in Paris

The surprise arrival of Mr George Soros, possibly the world's best-known speculator, as a leading shareholder in Moulinex had a predictably buoyant effect yesterday on the French household appliance group's shares.

They soared on the static Paris market and, despite losing ground late in the day, closed up FFr1.40, or 1.3 per cent, at FFT112.50.

That represents an advance of almost 68 per cent since the end of last year and nearly 40 per cent since June. This was when Mr Pierre Blayan, the recently arrived chairman, unveiled a restructuring plan, drastic by French standards, that involved 2,600 job losses - equivalent to more than 20 per cent of its workforce - and the closure of two French factories.

to four consecutive annual losses, it is designed to cut the group's industrial costs by 25 per cent and ensure Its continued independence.

The plan came in response

A spokesman for Mr Soros in New York would not he

an-born speculator's investment. It was thought, however, that his move was unlikely to lead to a takeover hid for the company. Moulinex had no comment

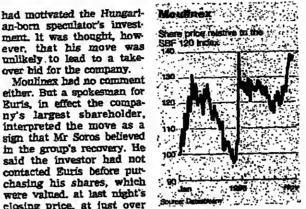
either. But a spokesman for Buris, in effect the company's largest shareholder, interpreted the move as a sign that Mr Soros believed in the group's recovery. He said the investor had not contacted Euris before purchasing his shares, which were valued, at last night's closing price, at just over

Those familiar with Mr Soros's methods said it was not unusual for him to take stakes in industrial companies or to invest in France, News of the investment

FFr174m (\$34.4m),

first emerged on Wednesday evening in a disclosure by SBF, the French stock markets association. This controlled by Mr Soros -Quantum Partners LDC. Geosur and Lupa Family Partners LP - had bought a combined 5.48 per cent stake

in the group. For the year to March 31, drawn yesterday on what Moulinex reported a loss of Observer, Page 13



FFr702m - the biggest in its 60-year history - including a FFr600m provision for the restructuring plan. In the summer, Mr Blayan revealed that the group was studying an increase in shareholders'

The Moulinex chairman has said he is convinced that revealed that three entities if in the next two years the group did not make clear it appreciated the need to implement reforms, it would fall into the bands of a foreign competitor. It was probably not Mr Soros he had in

SNI sets

turnover

growth

in Frankfurt

growth.

target for

Siemens Nixdorf Infor-

matioussysteme, the German

computer group, yesterday

set itself a target for

double-digit annual turnover

Mr Gerbard Schulmeyer.

chairman, said: "We must

a modest level of profitabil-

ity after breaking into the

black for the first time in the

Pre-tax profits fell 19 per

cent to DM52m in 1995-96,

but net profits were up 26

The main reason for the

pre-tax decline was a DM51m

write-down charge for the

company's 12.5 per cent

stake in Escom, the com-

puter group which hit diffi-

SNI said yesterday that

excluding extraordinary

items, pre-tax profits would

have been DM133m, ebout

twice the 1994-95 level. The

printing division contributed

SNI also has a minority stake in Vobis, another Ger-

man computer group. Mr Schulmeyer said he did not

expect to enter into further

strategic alliances in Europe, but would be considering

economic growth ground to

e balt. But international

In the last financial year

SNI divested its high-perfor-

mance printing division,

which it said was no longer

a core business. The compa-

ny's main business activities

are personal computers,

which make up a quarter of

sales, mid-range and main-

frame computers and appli-

cation software.

sales were up 13 per cent.

to profits for half e year.

culties earlier in the year.

previous year.

per cent et DM29m

Rheinmetall says it will pay \$550m for STN

By Peter Marsh and Michael Lindemann in London

Rheinmetall, the German parts conglomerate, yesterday said it would pay over from the Bremer Vul- close to the deal said last kan bankruptcy this year.

Badenwerk, the south-west German electricity utility which will help finance the deal, and with British Aerospace, the UK defence group.

By Matthew Kaminski in Kiev

early next year.

general director.

Lietuvos Dujos, Lithuania's

national gas company, plans to offer 16 per cent of its

shares in a closed tender

The state-owned company,

which operates the Baltic

country's pipeline network

and services gas consumers.

wants Gazprom, the Russian

gas monopolist, to buy part

of the equity, according to

Mr Kestutis Sumacheris,

Lietuvos Dujos, which

owes Gazprom \$31m for aup-

plies this year, expects a sale at MC Securities in London,

to be accompanied by a said: "Gazprom has moved

Radenwerk was only night. There was some con-Berlin-based Rheinmetall fusion, however, as to how said it had teamed up with far talks between the vari-

ous companies had gone. BAe stressed that talks with Rheinmetall had not been completed, even though the German group said a

would give Gazprom a toe-

bold in Lithuania and secure

supplies to the Russien

The Russian group bas

pursued the acquisitions

partly to alleviate the

chronic non-payment prob-

lem in the former Soviet

Union. Lithuanian law for-

Gazprom owns parts of gas

companies and networks in

Estonia, Latvia, Belarus and

Moldova. Mr Stepheo O'Sul-

livan, an oil and gas analyst

The Financial Times plans

to publish a survey on

International

Project Finance

on Tuesday, December 3

Project finance is one of the fastest growing sectors of international capital markets.

It is an area of increasing competition within the banking community, as institutional

90% of professional investors in Europe read the Financial Times. Research:

investors are attracted by the higher yields available from project finance investments.

Hannah Pursali

Tel: 0171 873 4167 Fax: 0171 873 4296

bids debt for equity swaps.

enclave of Kaliningrad.

then that is all we will pay."

STN's naval electronics business specialises in sonar. radar, torpedoes and other sensors, which BAe is eager to bolt on to its existing operations.

pany was one of tha few profitable parts of the Bre-

margins that it felt it had

not been getting before." A

move into Lithuania would

be in line with its strategy to

integrate with the markets it

A meeting of Lietuvos

Dujos shareholders had been

called for December after

Coopers & Lybrand, the

accountancy firm, has com-

pleted an audit. If epproved,

the sale would take place in

the first quarter of 1997. Mr

"We decided against plac-

ing our shares with portfolio

investors because the com-

Sumacheris said yesterday.

which went bankrupt earlier the German navy is nervous this year, reporting net profits of DM32.5m on sales of DM1.45bn.

for defence products. "The for companies to line thema better long-term position unit of the Mannesmann in the European defence

It is believed BAe sees the

about. It signalled this summer that because STN is one of the leading European manufacturers of these prod-

for STN, hoping to integrate its existing operations in

increase in sales to DM13.6bn (\$9bn), with orders long-term gas contract with into owning existing compa-its single supplier. An equity nies because it gives them tion in management and the ment owns 90 per cent of Lietuvos Dujos, with employpassing of know-bow," be ees owning the remainder... The 66m shares that the said. The company will handle the sale and does not

Duios a market capitalisation of 399m litas (\$99.75m). Analysis believe the com-

power in last month's elec-tions, to Russian ownership

The Lithnanian govern-

errion is still subject to receipt by CIB of the formal approval of the General Authority for Investment

currently underlying his ODRs converted into Egyptim Pound paid shares may elect to cancel his ODRs in accordance with Condition 2 of the Terms and Conditions of the ODRs, and withdraw his shares from the

t should be noted that a nominal fee for the conversion of the U.S. Dollar reid shares will be charged to GDR holders through the clearing syst The fee will be U.S. \$0.0005 per GDR converted.

Notice to Holders of (Egypt) S.A.E. Global Depositary Receipts

rive a majority of GDR bodders instructing Bankers Trust to vote in

General Authority for investment. It is our intention in our expecting as Depository and registered shareholder of the U.S. Dollar paid shares, no convert all of the U.S. Dollar paid shares being held in custody on behalf of GDR holders, into Egyptian Pound paid shares. We intend to officer this conversion either 30 days from the date of this notice or on the date on which the final approval from the General Authority for investment is granted, whichever is the later.

Any GDR holder not wishing to have the U.S. Dollar paid shares are the underline the CDP occurrence into Egyptian paid.

ther the conversion has occurred, ten GDRs will represent one Egyptau

Tim Hart Tel: 001 212 752 4500 Fax: 001 212 319 0704 FT Surveys

ional investment Community 1995-1996.

For further information on advertising contact:

George Soros: becomes a leading shareholder in Moulinex The three companies are final deal had been struck to in the final stages of talks take over STN. BAe said the which could see BAe take a stake of up to 49 per cent, worth about DM270m. The defence and automotive remainder would be taken by Rheinmetall. DM550m (\$167m) to take over ing to finance the deal and STN Atlas, the maker of would not have any manage-BAe said. sonars and torpedoes left ment control, executives

size of its final stake would depend entirely on bow big STN's marine electronics business was. "If the naval electronics business is worth 30 per cent of STN overall,

stake in Lietuvos Dujos access to the downstream

supplies.

The Bremen-based com-

One analyst familiar with marks a significant inroad German ownership.

electronics industry."

up a good position to supply mer Vulkan shipping group German navy - something complete tank system.

plan to bring in a western adviser. But the share offer

might be split. Germany's

Ruhrgas and Gaz de France

have expressed an interest,

A western partner would

belp alleviate possible oppo-

sition from nationalist politi-

cians, who returned to

Mr Sumacheris added.

BAe said the STN stake ucts, it should remain in into the European market Rheinmetall has been eager to control STN By Wolfgang Munchau deal marks a further effort because it also makes the fire control system for the selves up strategically to get Leopard II tank, made by a

engineering conglomerate. Mannesmann had also bid

venture as belping it to line tha fire control systems with electronic systems to the order to be able to offer a

learn as a company to achieve double-digit growth rates." Lithuanian gas group plans share offering In the last fluancial year to end-September, the company achieved a 6 per cent

up 7 per cent to DM13.9bn. Siemens, SNI's parent group, reported the important financial data of its divicompany wants to sell are sions, including SNI, when it expected to be offered at a announced its results earlier nominal price of 1 litas, this month. which would give Lietuvos SNI managed to maintain

pany could be underpriced, given that its sales this year will be \$160m. But the country's energy sector has been hamstrung by the government's slow liberalisation of

Starting this year, the company plans western eudited financial statements.

("GDRs")

of a company in what many consider the strategic energy

Commercial International Bank

This is to confirm that, pursuant to the Europordinary Ceneral Assembly Meeting of the Shareholders which took place in Casro on 31st August, 1996, a resolution for holders of the U.S. Dollar gaid shares of Commercial International Bank (Egrys) S.A.E. ("CIS"), allowing for the conversion of the U.S. Dollar gaid shares for conversion of the U.S. Dollar gaid shares for Egyptian Pound gaid shares, was voted for and was subsequently passed. In our capacity as Depository, and in accordance with Condition 12 of the Terms and Conditions of the CDRs, Bankers Trust Company voted in favour of the above resolution having received notification from a majority of GDR holders manucring Bankers Trust to vote in

partnerships outside Europe. The company is keen to grow in the US and Asia. In the last business year, SNI managed sales increases of 2 per cent in Germany, when

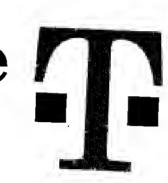
Benkers Trust Company

Ducks Prise

g m ted

Citibank congratulates

Deutsche Telekom



on a highly successful

Initial Public Offering

As depositary bank,
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of the world's largest
privatizations through your
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ASIA-PACIFIC NEWS DIGEST

US acquisition helps NAB advance 6.8%

National Australia Bank, the largest of the Australian commercial banks, yesterday ber, a 6.8 per cent increase on last time'e A\$1.97bn and a record for the group.

The figures were belped by the inclusion of 11 months of earnings from Michigan National, the US bank which NAB bought last year and which contributed A\$158m before goodwill write-offs. Earnings per share rose 2.7 per cent, to 144.8 cents.

The result was struck after a charge of A\$333m for bad and doubtful debts, up from last year's A\$116m. Mr Don Argus, managing director, said that NAB saw softness in some of its markets and thought it "prudent to take some extra provisioning".

With tax and bad debt provisions added back, NAB's underlying profit rose 14.5 US - had helped bring Across the loan book, NAB's card usage. The financial posted static earnings, after

Bank of New Zealand earnings up 5.3%

tight and competition in the industry

would intensify. Underlying profit,

excluding interest recoveries and before debt provisioning and tax, rose 12 per cent to NZ\$363m. Total assets

Total balance sheet assets ross

NZ\$1.6bn to NZ\$23.5bn. BNZ is paying

s dividend of NZ\$164m to its Austra-

lian parent compared with NZ\$150m

rose from NZ\$21.96bn to NZ\$23.5bn.

announced an after-tax Bank of New Zealand reported s 5.3 ton said the bank expected the current profit of A\$2.1bn (US\$1.68bn) per cent rise in annual tax-paid earnings to NZ\$318m (US\$225.8m), helped However, margins would remain by strong growth in both business and personal markets, writes Terry Hall in

Mr Gordon Wheaton, chief executive, said the bank, a wholly owned subsidiary of the National Australia Bank had increased its lending at a time of tight margins while containing

Total lending had grown 10.1 per cent, to NZ\$18.3bn. Home lending grew from NZ\$5.7bn to NZ\$6.3bn. Mr Whea-

per cent to A\$3.39bn. The

return on shareholders'

funds dipped from 17.8 per

Mr Argus described the

result as "workmanlike".

adding that the group's

international expansion - it

now has banks in Naw Zea-

land, the UK, Ireland and the

cent to 17 per cent.

consistency to earnings. During the year, net interest income rose 11.9 per cent, to A\$5.06bn, NAB said this would have been 2.9 per cent higher if Michigan National had been excluded, but rising volumes had more than

offset the tighter margins as

competition intensified.

Construction

seven years - to its Melbourne parent last year. During the year, staff numbers were cut by 300 to 5,857. margins eased by about 30

> basis points. Non-interest income also rose strongly, by 19.3 per cent to A\$2.92bn, or by 11.7 per cent without Michigan National. This was largely because of increased fees and commissions resulting partly from higher credit

management and custodian services business also posted

Restructuring costs and pressure on

interest margins led the ANZ Group,

New Zealand's third-biggest bank, to

record a 6.2 per cent fall in profits, to NZ\$153.7m, in the year to September 30. ANZ Group includes ANZ Bank and

PostBank, and the UDC Group of

Mortgage lending rose 9 per cent, to

NZ\$7.2bn and other lending rose 16 per

cent, to NZ\$7.8bn. Assets grew 14 per

cent, to NZ\$20bn. The group is paying

a dividend of NZ\$430m - the first in

finance companies.

On the cost side, NAB's non-interest expenses rose 14.4 per cent, to A\$4.59bn. but the cost-to-income ratio fell from 56.2 per cent to 55.8 per cent.

Core Australian operations

of A\$1.3bn, while the Nev Zealand business edged higher from A\$215m to A\$227m. The UR and Irish banks made A\$403m, down from last time's A\$420m. This reflected the stronger Australian dollar; in local currency terms, operating profits were 2.6 per cent higher. Clydesdale Bank, the group's Scottish subsidiary, produced a 10 per cent increase in pre-tax profits to £125m (US\$206.25m), while Northern Bank in Northern ireland had a "brilliant year" with a 36 per cent surge in profits to \$76.8m as costs were held below 1995 levels. Profits at Yorkshire Bank, however, fell 15 per

NAR joined its fellow Australian banks in announcing a limited share hoy-back scheme, to cover around 13m shares, or 0.9 per cent of its

cent to £117.8m after had

debt charges doubled to

Foreign bank

Regions

Korea Telecom to list next year Korea Telecom said yesterday it planned to list on the Seoul bourse in the first half of next year, after several postponements. The state-owned telecommunications

group announced the listing in order to attract domestic institutional investors to a Won360bn (\$4:4m) share issue Institutional investors have been reluctant to buy

Korea Telecom shares, which are being offered through auction bids, because they cannot trade them on the Seoul bourse. An offer of Korea Telecom shares last month was largely shunned by investors.

The government has announced a listing of Korea Telecom several times since 1993, only to delay the action because of poor market conditions. As is usual with Korean initial public offerings, foreigners will be unable to participate in the Korean Telecom share issue. The government will sell shares to foreign investors through depositary receipts after the listing.

The amount to be offered has not been disclosed. The state, which owns 78.7 per cent of Korea Telecom, is gradually reducing its stake but plans to maintain majority control. The auction next week of 9.6m shares priced at Won37,600 each will amount to 3.35 per cent of the state holding. The government has sold Won138bn of Korea Telecom shares this year, far short of its 1996 goal of Won980bn. Korea Telecom posted net earnings of Won419bn on sales of Won6,360bn in 1995.

Steady progress at Brierley

The worldwide operations of Brierley Investments (BIL), the New Zealand-based investment group, were "going quite well", according to Mr Bob Matthew, chairman, although some New Zealand subsidiaries were experiencing more difficult conditions in the new

Mr Matthew told the group's annual meeting yesterday that Thistle Hotels of the UK, the company's biggest investment, was continuing the steady profit growth of the past two years, and was expected to continue this trend. This year's profits would be a substantial

Air New Zealand, which is 42.5 per cent owned by BIL. would make a lower contribution to earnings this year, although both Air New Zealand and the 50-per-cent owned Ansett Australia were making good progress with their cost-cutting programmes. Air New Zealand was expected to achieve better profits over the next year and beyond. BIL's Australian investments, with the exception of Vox Retail, were performing well. BiL was showing a A\$100m (US\$79.4m) profit on its A\$260m investment in James

financial year owing to the slowdown in the economy.

improvement on last year's.

Hardie, the building group, Mr Matthew said, Terry Hall, Wellington

Kansai Electric slides 14.5%

Kansai Electric Power, Japan's second-largest electric power company, yesterday reported weaker interim pre-tax profits caused by rising oil prices, cuts in electricity rates and the weaker yen.

The company's efforts to diversify energy sources away from oil and towards thermal, hydroelectric and nuclear power generation saved nearly Y12bn (\$107.9m) in the first half to September. But the savings were not enough to offset added costs of Y20bn stemming from the rise in oil prices, the company said.
Unconsolidated recurring profit fell 14.5 per cent, to

Y54bn, while revenues edged up 0.7 per cent, to Y1,295bn. Like that of Japan's other electricity companies, Kansal Electric's recurring profit suffered by comparison with last year, when unusually hot weather boosted demand for electricity to drive air conditioners. After-tax profit, however, jumped to Y30.5bn, or Y31.21 per share, from Y21.7bn. The company will maintain its interim dividend at Y25. For the full year, it expects a recurring profit of Y11bn, down 10 per cent. Sales are forecast to rise 1 per cent, to Y2,540bn. Gwen Robinson, Tokyo

Bank Negara takes uncertain step forward

Breakdown of BNI's non-performing loans (1997)

...is the biggest bank in Indonesia

...has 10% of the savings market

Oh ... has 8% of the loan market

...has 10% of the country's total banking assets

Sell-off comes as Indonesian group's profitability is falling

uch is at stake in Indonesia's only privatisation this year - the listing on November 25 of state-owned Bank Negara Indonesia. No-one wants to see a repeat of Telkom, the domestic telecommunications company, which had to cut sharply the size and price of its offer after global demand failed to materialise.

That made the choice of a share. bank as the next privatisation surprising. While telecoms is one of Indonesia's fastest growing sectors, Indonesia's banking industry is less successful.

With a total of 240 banks, tha sector is overcrowded and in need of consolidation. Bad debts are a serious problem, with 10 per cent of all lending classified as bad or doubtful at the end of last year. There is also a tendency among private sector are already trading at banks to lend to the indus-trial groups that own them. market, compared with an ing, it will easily have the That could m

Yet, according to local securities house Danareksa Sekuritas, which is underwriting the issue, BNI shares were 4.5 times eubscribed, with foreigners dominating demand. Most ot these, however, will not even come close to the allocations they have requested, because the size of the domestic tranche has been increased to give local investors a larger

With so many foreign fund managers unable to get the allocations needed to justify including BNI in their Indonesia portfolios, the government has in effect ensured that the shares are likely to perform well in the secondary market. Local investors tend to sell for profit immedistely after a listing, and foreigners are expected to buy up those shares.

Source: Asia Equity, Bank Indonesia Brokers say BNI sbares The strong demand is partly because the BNI offer is sim-

EUROPE'S PERFECT PERCH

combination of comprehensive tax advantages and full membership of the

European Union. This is coupled with legal security and a comprehensive

range of investment opportunities including a free-trade industrial zone, a

integration with the world's biggest market, including free circulation of goods and services

and the right of establishment. Madeira shares this status with only Ireland and Luxembourg,

given that offshore centres in the Isle of Man, Gibraltar and the Channel Islands hang more

treaties. Companies can use these to reduce withholding taxes on royalties, interest and

dividends. This makes the IBC a particularly attractive niche for firms investing in those

from the capital, Funchal, and eight kilometres from the international airport. All raw materials

and components imported into the zone are exempt from customs duties. Duties are levied only

on raw materials from third countries incorporated into finished products exported to the EU.

Analysts say the IBC is especially attractive to non-EU companies as a manufacturing centre

for adding, in a tax-free environment, the necessary EU local content before their products are

financial centre, a services hub and an international shipping register.

tenuously to the EU by various differently-defined threads.

countries that have agreements with Portugal.

Madeira's International Business Centre (IBC) offers an unrivalled

Membership of the European Union provides both regulatory guarantees and full

Companies based in Madeira are not excluded from Portugal's double taxation

For industrial companies, Madeira offers a 296-acre free-trade zone, 30 kilometres

FOR GLOBAL BUSINESS

offer price of Rp850 a share. highest market capitalisation in the banking sector, says Ms Daisy Chee, of GK

That could mean inclusion

in the Morgan Stanley Capital International Indonesia Index, against which many fund managers match their portfolios. Few will have for-gotten the scramble to buy Telkom shares, shortly after its listing, when it replaced Indosat, the state-controlled international satellite tele-

Bank Dagang Negara

Bank Burnt Daya

Bank Rekyat Indonesia

Bank Bespor Impor Indonesia

coms company, in the MSCI index in November last year. But it remains to be seen how many will buy into a profitability and whose loan and asset quality remains a concern. BNI's projected 1996 net profit of Ro327bn (\$140m) is likely to be achieved through smaller than normal provisioning charges and

large one-off income items. lthough BNT's profitability has improved since 1994, this year the "situation has worsened", says an Asia Equity research report. "All profitability measures show a declining trend: earning assets growth, net interest ating income."

Furthermore, once listed. the bank will "have to stand on its own two feet against high-quality listed banks like Bank Internasional Indonesia, says Mr Jonathan Harris, research director at Wardley James Capel Indonesia. Yet BNI's nonperforming loan rate, at 6.2 per cent of total loans, does not compare favourably with the average 2 per cent rate in the rest of the sector.

Analysts also point out that BNTs 35 per cent loan loss coverage reserve is low. If Bank Indonesia, the central bank, introduced a mandatory write-off policy, the need for additional loan loss offering this year. charges would depress BNI's

Although BNI intends to focus on consumer banking, this remains a long-term goal: corporate banking remains its core business. In BNI's favour, analysts note that its lending policies have been more conservative than those of other state-owned banks. Most of its loans go to large companies, including toll-road builder Citra Marga Nusa Persada, controlled by President Suharto's eldest panies such as Indofood, Indocement and Gudang Garam.

As a state bank, BNI has established close relationships with state-owned companies and government institutions. This could be a weakness - state-owned companies have a reputation for inefficiency - but also a strength, in view of lending opportunities implicit in these relationships and a conviction that the government would not allow a state-owned bank to fail.

Some 25 per cent of BNI is margin, fee income and oper- to be listed, with tha government retaining a majority stake. With consolidation taking place in the banking sector, BNI is likely to be instructed to absorb other state banks. The question is whether these banks will have a record comparable to BNTs.

With these concerns in mind, BNI has been priced competitively at about 8.7 times projected 1997 earnings, compared with a price/ earnings ratio of about 10 for the rest of the private banking sector. And with so few IPOs in Indonesia in 1996, BNI is, despite its underlying weakness, perhaps the country's most attractive

Manuela Saragosa to Y141.4bn.

per cent last year.

Analysts said sentiment

Japan Telecom down 6% in half

By Michiyo Nakamoto in Tokyo

Japan Telecom, one of the country's four long-distance telecommunications operators, blamed a sharp reduction of leased line rental rates for a 6 per cent fall in interim parent profits, but forecast record profits for the full year.

The carrier has been caught in an intensifying battle with competitors, particularly NTT, Japan's dominant carrier, which has forced it to cut rates.

First-half recurring profits fell from Y23.4bn to Y22.1bn, although sales rose 12 per cent, to Y183.2bn. Net profits increased 10 per cent, to Y13.2bn.

Nippon Telecom said sales had risen strongly owing to a 30 per cent increase in traffic after it cut its rates on some long-distance services. The growth in traffic helped lift revenues from telephone services 4 per cent.

However, the need to reduce rates in leased line services by as much as 50 per cent cut revenues from that business 24 per cent, to Y9.4bn.

Other businesses, including the installation of base stations for cellular phones and the distribution of cellular phone units for its affiliated companies, performed well during the period as a result of buoyant demand for cellular and PHS phones.

For the full year, the carrier expects record recurring profits of Y43bn, compared with Y41_9bn last year, on higher sales of Y378bn, against Y335.6bn, with the help of greater traffic volume and the continuing strength of its peripheral

Nippon Telecom also expects access charges, which made up 39 per cent of telephone revenues in the first half, to be lower as a result of negotiations with NTT, which dominates the

exported into Europe. Companies operating in the industrial free trade zone are automatically entitled to a total exemption from corporate taxes until the year 2011. The international services centre has proved the runaway success of the IBC, with over 2,000 companies already registered. In addition to other benefits, companies participating in the initial capital of services enterprises are entitled to complete exemption

from withholding and income taxes on dividends, interest on shareholders' loans and any

other type of income from these companies. International services and financial companies

can set up anywhere on the island of Madeira. An important new competitive advantage for the IBC provides for financial institutions to incorporate new banks and insurance companies in Madeira, providing them not only with the benefits of subsidiaries exempt from all taxes, but also with a passport to operate anywhere within the EU. Banco de Boston Latino Americano was created recently under this provision.

In addition to the Bank of Boston, a number of leading financial groups are to be the first to take advantage of the latest improvement in the IBC's regulations by setting up full subsidiaries in Madeira shortly. A total of 37 banks and insurance companies already have branches of existing institutions within the financial centre of the IBC.

More than 60 vessels have registered with MAR, the IBC's shipping register. The register is open to commercial vessels and pleasure yachts. Ship owners can choose any country whose legal system they want to govern the terms of the mortgage of their vessel and crew wages are exempt from income tax in Portugal.

> SDM - Madeira Development Company Rua Imperatriz D. Amélia P.O. Box 4164 9052 Funchal CODEX. Madeira. Portugal E-mail: sdm@sdmadeira.pt-WWW:http://www.sdmadeira.pt/ Tel: (351-91) 22 54 66

Fax: (351-91) 22 89 50



Indian results confirm slowdown

The interim reporting season for the Indian corporate sector is chaping up to be the worst in the past three to four years, with the number of companies posting disappointing results continuing to mount

While the reporting season started on a relatively positive note with s few strong results, more recent statements have confirmed a deeper-than-expected slowdown in profit growth in the six months to September.

"There have been a lot of shocks and and a lot of disappointments," said Ms Ritu Gupte, strategist at brokers Jardine Fleming India. Analysts said a slowdown

had been expected after the delayed impact of tight

liquidity conditions last year, the introduction of a ment Corp of India, the development financial instiminimum 12.9 per cent cortution. porate tax, falls in commod-The trend has been conity prices, increases in fuel firmed by disappointing costs and high interest rates.

results from the Industrial However, Ms Gupte said Development Bank of India, many may bave underestithe country's largest develmated the slowdown. She opment financial institution. said the average profit and Tata Chemicals, the growth of 35 companies fertiliser to soda-ash manuresearched by her firm had facturer. been 14 per cent in the first IDBi lifted its net profit half, compared with more 50

only 2 per cent, to Rs5.14bn (\$147m), well below market forecasts of about Rs6bn. The sluggish state of the

over the results season had soured after poor results this economy and corporate week from three blue-chip activity was partly reflected companies in the Birta in a 23 per cent drop in loan group, one of India's leading approvals by the institution industrial houses. This came in the first balf. Analysts after worse-than-expected said some of this came from results from other companies such as Essar Steel and IDBI's loan approvals, which dence of the slowdown lo Industrial Credit and Invest- are usually for large develop- corporate earnings.

ments, but the fail also reflected delays by companies in starting projects.

However, disbursements from already-approved loans rose 17 per cent. to Rs59.69bn. Tata Chemicals suffered a

24.6 per cent fall in net profit, to Rsl.31bn, again a figure that was below forecasts. The company's shares dropped Rs19.25, to Rs180.75, in reaction to the results, while IDBI was unchanged at Rs103.2 abead of the release of its figures after the close of trading.

Results later today from Indian Oil, Larsen & Toubro. Videsh Sancbar Nigam, Indian Petrochemicals Corp and Hindustan Motors are ths "lumpy" pattern of likely to provide further evi-

CompuServe targets business users US group bids for

By Louise Kehoe in San Francisco

CompuSarve, one of the sumer marketing efforts in viders. order to cut costs.

operating losses as well as special charges, CompuServe also said it would withdraw. its family-oriented Wowl serplans to introduce services aimsd at business users

The change in atrategy comes as CompuServe faces intense competition from America Online, the leading largest online information consumer-oriented service services, is to refocus on with about 7m subscribers. business and professional as well as from numerous users and abandon con- low-cost internet access pro-

CompuServe, in which Announcing expected H&R Block, the tax-preparation firm, retains an 80 per cent stake, reported a loss before special charges of \$24.5m, or 26 cents a share, vice, launched in March. It for its second fiscal quarter ended October. The operat-Wall Street expectations.

losses partly on dslayed shipment of new subscriber software. In addition, however, CompuServe recorded a one-time after-tax charge of \$28.6m, or 31 cants a

accounting practices. The company will accelerate the rate at which it amortises the costs of attracting new a share, after-tax charge for the costs of closing Wow!. were \$58m, or 63 cents a

cents, in the same period last year. Revenues for the quarter were \$214.3m, up 14 per cent from \$188.4m.

CompuServe said its decision to end the Wow! service share, related to a change in . reflected rapid changes in the online market, including new competition, pricing pressures and the high costs of mass consumer marketsubscribers. CompuServe ing. The service had also took a \$4.9m, or 6 cents attracted only 102,000 subscribers.

"Like others in our indus-Total losses for the quarter try, we were bringing new users in the front door and last year of \$40.8m, or 55 share. This compares with seeing many go out the cents.

The company blamed its net income of \$14m, or 19 back," said Mr Bob Massey CompuServe president and chief executive. While new users are attracted by offers of several weeks' free service, many defect when these run out.

Canadian

Boston-based venture

capital group TA Associates

(US\$588.70m) for Canadian

mutual fund company Alta-

mira Management, beating

an offer from Canada's Man-

ufacturers Life by C\$123m.

TA said it would offer

C\$38 a share for Altamira,

19 per cent more than Mannlife's C\$32 a share, on condi-

tion that Manulife dropped

an agreement with a group

of Altamira manager-share-

The closely beld Altamira

has C\$6.1bn assets and is

Canada's 11th biggest mutual fund firm.

tor. "Now there are two offers on the table. We want

to be a white knight and

provide an alternative, but

The 28-year-old TA is one

of the largest private equity

investors in the US. It has

assets of more than US\$2bn

and holdings in more than

200 companies in the finan-

cial services, healthcare,

consumer products and

information technology

Analysts said TA's move

reflected growing US inter-

est in Canada's booming

mutual fund industry,

which bad reported total

assets of almost C\$200bn as

Altamira's stockholders

have been fighting among

themselves since last sum-

mer, when Toronto Domin-

ion Bank backed away from

The biggest holder is Almiria Capital, with 30.5

per cent. It is a Canadian

investment firm owned by

several institutions and

headed by Mr Rric Baker, a

veteran of a communica-

tions industry takeover bat-

at October 31.

a C\$765m bid.

not start e battle."

"We believe C\$32 is far too low," said Mr Andrew McLane, TA managing direc-

bid C\$783m

mutual

By Robert Gibbens

in Montreal

CompuServe ended the second quarter with 3.3m subscribers, the same number as at the beginning of the quarter.

For the fiscal year to date CompuServe reported a net loss of \$37.6m, or 95 cents a share, compared with net income in the same period

CME seen to get something for nothing

Futures industry views links with Liffe and Matif as a coup, says Laurie Morse

he Chicago Mercantile Exchange significantly improved its competitive position on Wednesday, with announce-ments that it would distribute Liffe's three-month euromark futures and options contracts and Matif's notional bond futures on its trading floor during US market hours. The new trading arrange-

Brierley

ments at the CME - the world's second largest futures exchange and the dominant listed market for: short-term interest rate derivatives - are expected to . come into effect between March and May next year, possibly beating the launch of the long-awaited link between the Chicago Board of Trade and Liffe for long-term bonds, scheduled for May 9.

The CME's product menn will include currency. debt, and stock index futures, and options representing a variety of countries in Europe, Asia, and Latin America, as well as the US.

A third European futures exchangs, Germany's DTB, already distributes its products in Chicago, hut has taken a different approach. It has placed screens in the main markets, such as Chicago, and US futures traders can use the computers to trade German bond and stock index futures electron- chairman. Chicago's unwill- at a propitious moment, we the Matif, and was taking on



Reaching out: CMR options will represent European, Asian and Latin American states SA

tle interest.

The CME's agreements with the Liffe and Matif are unusual because they are not reciprocal. Liffe and Matif did not receive the rights to trade CME products in Europe, as has been customary in recent link-ups.

"When we began these negotiations with Liffe four months ago, it was clearly understood that the eurodollar was not for sale," said Mr John Sandner, CME

ically around the clock. The ingness to share eurodollar see it would be beneficial to venture, which is only four futures with London is not our members". Mr Sanoner weeks old, has attracted lit-surprising: eurodollar said. futures and options make up more than 65 per cent of CME volume, and are traded

in Asia through a link with

the Singapore International Monetary Exchange (Simex). Liffe's own attempt to trade eurodollar futures failed in the face of CME/ Simex connetition, but CME the challenge. The agreement between Liffe and the except the notional. CME will only allow a emo-

would be the first of Chicago operations for long-term interest Fimat, the French brokerage rate contract offered on the CME. The Chicago Board of Trade dominates long-hond trading in the US, and through its planned link ments just underscore the with Liffe will gain access to members have not forgotten all the main European government debt contracts

Mr Sandner said the CME to the CBOT chairman. dollar listing in London "if was committed to supporting Derivatives Survey,

the notional in the hope that a market for the French bond during US hours would strengthen Matif's position as it entered European mon-etary union. However, despite the show of support, Matifa short-term interest rate contract, Pibor, is not being shared with the CME.

The CMB'a new partnerships will do more to bolster business in Europe than in Chicago. However, they fill gaps in the CME's European product line, which includes the UK's FTSE 100 stock index and most of the main European currencies. CME officials stressed that the biggest benefit was the creation of new trading opportunities for its members.

Futures industry exacutives view the Liffe and Matif partnerships as something of a coup for the CME. "It looks on the face of it like the CMR has gotten something for nothing," notes Mr The Matif's notional Alex Lamb, general manager

> However, CBOT executives were quick to congratulate the CME, "These agreefact that the CBOT is taking the right direction with its Liffe link," said Mr Michael O'Connell, epecial assistant

Almiria supports the TA bid and has launched court action in an attempt to block Manulife. But Manulife already mira. A group of Altamira fund managers who hold 28 per cent have pledged their shares to Manulife, saying they prefer to be allied with

tle six years ago.

a Canadian parent. The two sides are negotiating. Mr Dominic Alessandro, Manulife president, called the TA offer "highly tentative and just an expression of interest". Manulife's offer was in the best interest of all Altamira shareholders,

he said. TA promises to keep Altamira independent with "significant" suployee owner-

CS First Beston

Merrill Lynch International

ABN AMRO Hoare Govett

Barclays de Zoete Wedd Limited

Nippon Credit International Limited

Goldman Sachs International

Paribas Capital Markets

AMERICAS NEWS DIGEST

Pacificare net hit by \$58m charge

Pacificare Health Systems, the US managed healthcare company, said yesterday that fourth-quarter earnings rose 21 per cent, before a one-off charge partially caused by the company's decision not to launch a new service in

Net income for the quarter was \$38m, or \$1.19 a share, before the charge of \$58m, compared with \$30.4m, or 98 cents, in the same period last year. Including the charge, earnings were \$3.5m, or 11 cents a share. Revenues rose from \$1bn last year to \$1.2bn this time. The portion of premium revenue paid out for medical costs rose from 83.4 per cent to 84.2 per cent as higher prescription drug and doctors costs combined with steady premium rates to eat into the company's margins, as they have done across the sector this year. For the full year, earnings rose 17 per cent to \$134m before charges, on revenues of \$3.7bm.

Last month. Pacificare announced it had agreed to merge with Health Systems International, another California-based health maintenance organisation (HMO). to create the fourth largest publicly-traded HMO in the US. That deal is expected to close at the beginning of next year, but may face regulatory questions because both companies are large providers of HMO services to members of the government's Medicare program for older

TrizecHahn in Houston buy

TrizecHahn, the acquisitive Toronto-based property developer, has agreed to buy the Allen Center, a prominent three-tower office complex in downtown Houston. The purchase price is understood to be about US\$250m. The acquisition is the first since the recent merger between Trizec and Horsham, the investment holding company controlled by Mr Peter Munk. Mr Greg Wilkins, TrizecHahn president, said the deal reflected a strategy of investing in office properties with "significant growth potential".

TrizecHahn is also negotiating deals in Atlanta, New York, and Columbia, South Carolina. The Allen Center comprises three towers of between 34 and 50 storeys with 3.2m sq ft of space. TrizecHahn is keen to expand in south-east Asia, and recently set up a joint venture to develop shopping mails, office projects and business parks in central Europe.

Telekom unit takes APC stake

Deutsche Telekom MobilNet, a unit of Deutsche Telekom has taken a 16 per cent stake in holding company American Personal Communications, which in turn holds 51 per cent of US mobile phone operator APC LP. Last year, APC - which has about 100,000 costomers launched in Washington and Baltimore a network based on the digital PCS 1900 standard.

Cisneros plans beer venture

Cisneros, Venezuela's family-owned industrial concern, is negotiating with an international brewer to set up a joint venture in Venezuela. Mr Oswaldo Cisperos, who heads the group's beverage and telecommunications division, said: "We're seeking an international partner and will hit the market with an international brand.

He said a brewing plant was already under construction and would be in operation in the first half of 1997. The plant will have a capacity of 1.2m hectolitres, or 8 per cent

rival Empresas Polar over Venezuela's soft drink market. Cisneros dropped long-time partner PepsiCo to bottle for Coca-Cola three months ago. Raymond Colitt, Caracas

Desjardins-Laurentian ahead

Desjardins-Laurentian, the publicly traded insurance, banking, trust and brokerage unit of Quebec's Mouvement Desjardins, posted a 16 per cent gain in third-quarter earnings, to C\$19.8m (US\$14.75m), or 42 cents a share, against C\$17.1m, or 35 cents, a year earlier Consolidated revenues rose from C\$936 to C\$957m. Insurance results were mixed, but trust services

improved. The brokerage unit performed well, as did Laurentian Bank. Nine-months earnings were C\$61.6m, or C\$1.31 a share, against C\$49.1m, or C\$1. Assets at September 30 were C\$23bn, up from C\$21.5bn.

Robert Gibbens, Montreal

Enersis plans to shed 1,400 jobs at Cerj

to cut 1,400 jobs - about one-third of increased from \$500m - for its \$353m the workforce - at Ceri, the electricity distributor for the state of Rio de Janeiro which was privatised in a stock market auction on Wednesday.

The group's distribution subsidiary, Chilectra, won the bidding for the Brazilian utility as part of a consortium with Electricidade de Portugal and Endesa, of Spain. The three companies will pay a total of

ted to use some of the proceeds of a Chilean utility group Enersis plans planned US\$700m bond issue commitment, a senior company executive said.

Mr José Yuraszeck, general manager of Enersis, said the workforce would be reduced by one-third to 3,000. He added that the company would invest another US\$500m in Cerj over the next five years to increase efficiency and coverage.

Ceri loses 28 per cent of its energy US\$587.5m for a 70.26 per cent stake through leakage and theft, he said.

down to 12 per cent, which is the level in the Chilean and Argentine companies.

The Chilean group has specialised in turning round former state-owned power companies. Its management took over the main Santiago distributor when it was privatised in 1987. It has also acquired Edesur, which covers half of Buenos Aires, and

Edelnor, which covers Lima, to become Latin America's biggest private distributor, with 5.5m

in Cerj. The Chilean group is expec. The aim was to bring the losses • Brazil expects to announce the minimum price for the sell-off of state mining group Companhia Vale do Rio Doce on December 17, according to Mr Jose Pio Borges, privatisation chief of the National Development Bank, Reuter reports from Brasilia.

The CVRD privatisation, Brazil's biggest, is due to start in February with the block sale of 40-45 per cent of the company's voting shares. Mr Pio Borges said interested bidders could start viewing CVRD's records from Monday.

Wells Fargo & Company US\$200,000,000 Floating rate subordinated capital notes due 1998

The notes will bear interest at 5.625% per around for the interest period 22 November 1996 to 24 February 1997. per US\$10,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**

ignium of the Piscal Agent so Principal Paylog Agent Hydro-Quebec 12%% Debentures, Series HI due March 8, 2015 ISIN No. XS0015132904 S.G. Warburg & Co. Ltd., London, resigned as Fiscal Agent and Principal Paying Agent with immediate effort. The new Recal Agent and Principal Bank of Montreil 11 Walbrook, 2nd Hoor London BCAN BED Bank of Montreal November 22nd, 1996

Bartleys Beak PLC

General Motors Corporation General Motors Corporation
Notice is hereby given that resulting from
the corporation's declaration of a fividant
of \$0.40 (gross) per sinux of the common
stock of the corporation payable on 10
December 1996 there will become that in
respect of the henry depository receipts a
gives distribution of 2.00 cents per turi.
The depository will give forther notice of
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Republic of Mozambique

Privatization of BPD Banco Popular de Desenvolvimento, SARL



The Government of the Republic of Mozambique, as part of its ongoing privatisation program, hereby announces the commencement of a restricted tender in order to prequalify eligible investors, being a national or foreign bank or pool of investors where a bank has controlling position, for the acquisition, limited to a maximum of 80%, in the BPD - Banco Popular de Desenvolvimento, SARL, the remaining state owned bank. BPD has the largest commercial branch network in Mozambique.

The Executive Privatization Commission (CEP) for BPD, which has been appointed by the Prime Minister, has engaged BPI - Banco Português de Investimento, SA, 10 act as its sales advisor in all aspects of the privatization process. The privatization of BPD benefits from the program of assistance provided by the World Bank to

Since 1989, over 700 state-owned enterprises have been successfully privatized in Mozambique auracting foreign investors from Europe, USA, India, Australia and Southern Africa. The successful sale of BCM - Banco Comercial de Moçambique, SARL, the largest state-owned bank in June 1996, and the current privatization of BPD, will result in the complete privatization of the banking sector in Mozambique.

Prospective investors are asked to submit expressions of interest to the CEP for BPD or to Banco Português de Investimento, SA, in order to receive the Sales Memorandum, which includes the bidding procedures, an overview of BPD, some data about the banking sector in Mozambique, and the recent economic highlights of the country.

For additional information please contact:

Ministério do Piano e Finanças Mrs. Maria Otilia M. Santos President of CEP P.O. Box 272 Manuto, Mocembique Telf: 258-1-420484 -Fax: 258-1-420137/428170

Banco Português de Investimento, SA Mr. Mário Pereira Pinto Managing Director Rua Tenente Valadim, 284 4100 - Porto, Portugal Telf: 351-2-6073100

Fax: 351-2-6000856

19th November, 1996



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U.S.\$200,000,000

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Issue Price 99.539 per cent.

Tokyo-Mitsubishi International plc

IB] International plc Morgan Stanley & Co.

SBC Warburg

Bank of Yokohama (Europe) S.A. Deutsche Morgan Grenfell **HSBC** Markets

Nomura International

Sanwa International plc Tokai Bank Europe plc

England and Wales and meet

Southern's power procure-

British Energy announced

the deal as it unveiled its

and broadly in lina with

expectations. The company

British Energy in deal with S Electric | EU may

By Simon Holberton

British Energy, the nuclear utility, yesterday said it had struck a 15-year deal with Southern Electric, the south of England electric)ty company, to develop a long-term electricity supply business.

British Energy is the first generator to make a long-term arrangement with a rec ahead of 1998 when competition in electricity supply comes to tha household market.

Both National Power and PowerGen, the two higgest

Safeway

on 3,500

Safeway, Britain's third

largest supermarket chain,

is to create the equivalent of

3,500 full-tima jobs over tha

Safeway's expansion plans. which include 15

superstores of 25,000-35,000

sq ft and four medium-sized snpermarkets, mean the

group will be hiring 5,200

new staff. This will hring

the group's full-time equiva-

lent up to 50,000 people. Mr

Colin Smith, Safeway chief

executive, said the jobs

would be spread throughout

Safeway, which also yes-

terday announced a 7 per

cent jump in interim pre-tax

profits, is the latest in a

series of retailers to

creation programme. Marks

and Spencer this month

announced the creation of

The expansion was outlined as the group reported strong current trading, with

like-for-like sales in a

fiercely competitive market

up by 5 per cent. Inflation

counted for just 2 per cent

2,000 jobs in tha UK.

of the increas

to take

By Peggy Hollinger

next two years.

thermal generators, who are in talks with electricity companies about supply arrangements after 1998, but have yet to announce a deal.

National Power wants to explore a possible joint venture with one or two recs and a commercial company. PowerGen is looking at a more conventional arrangement with supply contracts of up to five years.

Mr Bob Hawley, British Energy's chief executive, said the deal would provide long-term price stability for

Storehouse vesterday sought

to address market concerns

which have hit the retail

group's share price in recent

weeks, with an upbeat

assessment of current trad-

ing as it reported a 13 per

cent rise in interim pre-tax

profits before exceptionals.

Mr Keith Edelman, chief

executive, said the group,

which owns the Mothercare

and BHS chains, was making

"good progress" in the first five weeks of the second

half. "With a strong Christ-

mas offer and a better retail

climate, we are confident

Storehouse managed to

increase underlying profits

from £33.3m to £37.5m

(\$61.9m) on sales up from

2516.6m to 2590.5m. How-

ever, pre-tax profits fell to

£17m after a net £20.5m

exceptional charge following

of . . . growth," he said.

Ha said there should be no cantly with the deal we have complaint from Professor The deal will account for Stephen Littlechild, the industry regulator, as the 15 per cent or more of Britdeal was non-exclusive. ish Energy's output in

Mr Jim Forbes, chief execntive of Sonthern Electric, said the two companies had been working together successfully for the past two years. He said generation accounted for 65-70 per cent of the cost of supplying elec-

tricity. He declined to specify the details of the deal but added: said it made a £32m loss, "I think I will be able to down from a loss of £169m in grow my business signifi- the sama period last year.

the Children's World acquisi-tion and disposal of men-

Tha retail division

increased profits from £30m

to £37.1m. BHS, the depart-

ment store business,

returned to growth, showing

a like-for-like sales increase

of 3 per cent, against a simi-

lar level of decline last year.

New stores and overseas

expansion through franchis-

at BHS by 7 per cent.

ing pushed up overall sales

On the other hand.

Mothercare continued to fall

behind, with comparable

sales down by 2 per cent. He

"steadily recovering and

would move to positive terri-

tory by the year-end". Fran-

chising abroad boosted over-

all sales at Mothercare,

excluding Children's World

hy 5 per cent. Franchise

sales overall were 38 per

Mothercare was

swear retailer, Blazer.

cent to £838m, mostly due to an increase in output. Electricity sales rose 12 per cent to 31.5TWh after a rise in load factor to 74 per cent from 68 per cent last year. 30 to 40 par cent of

The company has an 18 per cent share of electricity demand in England and Wales and a 56.1 per cent half yearly results - its first since privatisation in July share of the market in Scotland where it is fully contracted until 2005.

As forecast, it declared a

dividend of 4.6p. British Energy's shares ended 1p

Lonrho stake By Kenneth Gooding, Mining Correspondent

act on

The European Commission is formally to invite interested parties to give their views about the acquisition by Anglo American Corporation of South Africa of a 28 per cent holding in Lonrho, the UK conglomerate.

While this is standard procedure, the commission's decision will he awaited with more than usual interest. In April it blocked the merger of Lonrho's platinum division with Impala, a snhsidiary of Gencor, another South African group, saying it was against the public interest.

Anglo is the world's biggest platinum producer via its Rustenburg offshoot. It took its first 5 per cent stake in Lonrho early this year, while the commission's platinum investigation was still in progress.

When announcing that the platinum merger was to be hlocked, Mr Karel van Miert, the European competition commissioner, warned Anglo against taking control of Lourho, that such a move would create the same problem as Anglo's proposed deal with Impala.

Anglo has consistently argued that 28 per cent of Lonrho does not constitute control or "decisive inflnence", but the commission's view about this is unclear. Anglo said yesterday: "We are confident we will come to a satisfactory concln-

ston." The commission has one month from November 14, when the deal was completed, to decide on an investigation. This could

last up to four months. Anglo bought its shares from Mr Dieter Bock, who succeeded Mr Rowland as Lonrho's chief executive but stepped down after the sale. It is understood that he is under no obligation to buy back the sbares, should Anglo be told to reduce its

said. "That is expected to

continue in the second half."

Mr Hartiss was speaking

cent increase in underlying

oparating profits from £20.4m to £22.2m, despite

reduced sales of £414m (£435.1m) in the six months

"The operating profit

growth had been derived

wholly from the ports and

engineering businesses," ha

At the pre-tax level, the

figures rebounded from losses of £13m to profits of

£6.6m. The 1995 interims,

however, were distorted by

£29.5m of exceptional

charges; this year's were hampered by an £11.5m

write-down on Powell Duf-

Of the operating divisions,

ports and shipping services

saw profits rise from £12.6m

to £13.5m. The engineering

businesses - including Ham-

worthy - enjoyed increased

gains to £8.5m (£7.5m). Profits from terminals rose

from £400,000 to £900,000,

while losses in fuel distribu-

tion were £1.6m (£1.5m).

fryn's terminals.

to September 30.

Exceptionals hit Storehouse

cent ahead at about £49.3m. Keith Edelman: optimistic in a better retail climate

Babcock rises but cuts pay-out

Babcock international, the said the group's trading fig- £7.55m (£5.77m), while the 6p to 69p after Mr Parker engineering, facilities man-agement and materials handling group, yesterday halved its interim dividend despite a 23 per cent increase in underlying first-half prof-

"Retail sales are looking quite good," said Mr Smith, The company, reporting pre-exceptional profits up from £2.2m to £2.7m (\$4.45m), which he hoped would imply a good Christmas trading said shareholders would receive a reduced dividend of period. "It seems there is a bit more consumer confi-0.625p (1.25p).

Mr John Parker, chairman,

ures had persuaded the com-pany to cut the pay-out, which will be paid as a for-

eign income dividend. After exceptionals, pre-tax profits fell from £19.2m to 64.68m on reduced sales of £319.7m (£393.7m) for the year to September 30.

Operating profits were down from £3.12m to £1.68m. That disguised an improvement in profits at facilities management, which reached

materials handling division reversed losses of £1.88m with gains of £985,000.

Those improvements were overshadowed by increased losses in the environmental and Africa divisions, of £2.45m (£1.88m) and £1.82m (£375,000) respectively. Lost vent any repetition of previorders also contributed to losses of £2.1m in process engineering, compared with profits of £1.58m.

The shares, however, rose

predicted further gains from facilities management, due to be enlarged shortly by the acquisition of the Rosyth naval dockyard.

Mr Parker said new management had been installed in materials handling to preous losses. New managing directors have also been appointed to the process engineering and African

By Tim Burt

and ports.

Powell Dnffryn.

age group, yesterday vowed

to accelerate its disposal pro-

gramme by selling a further

eight businesses with com-

bined assets of £62m (\$102m).

in the past 12 months, said it

would sell its US storage ter-

minals and its UK fuel distri-

hution activities in a

restructuring aimed at focus-

ing solely on engineering

Shares in the group, how-

ever, fell 20%p to 407%p, after it admitted that second

half profits would be dented

by the absence of earnings

from its UK and South Afri-

can coal storage and termi-

nal operations, which were

Mr Barry Hartiss, chief

executive, also voiced concerns about the impact of

weakness in the construc-

tion sector, served by its

building services operations.

been affected hy tighter mar-

gins and lower turnover," he

"In that area, we hava

sold earlier this year.

The group, which has raised £28.7m from disposals

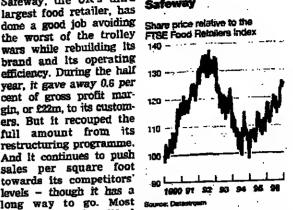
Powell Duffryn

engineering, ports and stor- after announcing a 9 per

to speed sales

LEX COMMENT Safeway

Safeway, the UK's third largest food retailer, has done a good job avoiding the worst of the trolley wars while rebuilding its brand and its operating efficiency. During the half year, it gave away 0.6 per cent of gross profit margin, or £22m, to its customers. But it recouped the full amount from its 110 restructuring programme. And it continues to push sales per square foot towards its competitors'



importantly, it has lifted like-for-like sales growth consistently above inflation while this restructuring programme was implemented. It has also come up with some novel, and comparatively cheap, strategies for differentiating itself from an increasingly homogeneous sector. Its "Shop & Go" system allows shoppers to self-scan goods and pay automatically, without having to queue at a till. This will encounter considerable Luddite resistance within its customer base. But it is an efficient way for Safeway to process increased sales within the confines of its below average sized stores and

also gain a marketing edge.

However, it remains difficult to gain any competitive edge in this industry, as demonstrated by the remarkably narrow range of prospective p/e valuations for the hig four. Safeway is at the bottom of the range, which looks a little unfair. It may not be slugging it out in the front line of the price war, but that probably makes it the sector's safest bet, if not the most exciting one.

NEWS DIGEST

Morgan Crucible to float offshoots

Morgan Crucible, the industrial ceramics and speciality materials group, yesterday confirmed plans to raise about £40m by floating eight non-core engineering businesses. The subsidiaries - devoted to aerospace, industrial sensors and instruments - are coming to the market as part of Emblem Technology, a new company formed for

Proceeds from the flotation, handled by Panmure Gordon, will be used to strengthen Morgan Crucible's balance sheet by reducing gearing from 40 to 30 per cent. Mr Norman Cave, Emblem chief executive, predicted the companies would enjoy improved growth prospects

outside the Morgan Crucible umbrella. While aerospace will be Emblem's largest division, Mr Cave said the group would enjoy a strong position in instruments and sensors - accounting for 38 per cent of group sales.

Moreover, profits for the year ending January 4, 1997, were likely to be not less than £5.1m. The new company, expected to come to market almost debt-free, is due to begin trading next month. Tim Burt

NSM plans to sell US side

Shares in NSM almost halved yesterday after the highly geared coal mining group warned it expected to make an interim loss and to sell its US operations at less than book value. The warning, which wiped 19%p from NSM's 42%p share price, is the latest sign of difficulties among the UK's small band of mining companies.

Mr John Jermine, NSM chairman, said the company needed to sell its profitable US business, PBS Coals, to cut gearing. Net debt of £95m (\$156.8m) gave gearing of 112 per cent at the company's March 31 year-end.

NSM's US business is expected to be sold in the new year at a "substantial discount" to its net asset value of about £140m.

Cocoa depresses ED&F Man ED&F Man, the commodity trading and financial services

group, reported a 17 per cent fall in interim pre-tax profits to £27.2m (\$14.9m) yesterday, chiefly because of difficulties in its cocoa and sugar divisions,

Mr Harvey McGrath, managing director, said that the problems in the cocoa division partly stemmed from a large spot position held by a rival trade house which had depressed demand. With almost all the group's earnings dollar-based, he said the current strength of sterling could lead to a 3 per cent fall in this year's profits.

Glenmorangie achieves £4.3m

Glenmorangie, the distiller, reported a 22 per cent rise in underlying interim pre-tax profits as its strategy of switching into higher-value malt and hlended whiskies zained momentum.

Sales of bottled whiskies rose 69 per cent, to 78 per cent of the total, while those of bulk spirits to other distillers and blenders slipped. Turnover rose 26 per cent to £22.8m in the six months to September 30.

"In China, we're two or three years away from profit, and in India another year away." said Mr Geoffrey Maddrell, chairman. Roderick Oraz

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1.76♥ 4.68♥ 53L 4.79♥ 0.49 2.41 0.269 2.73♠ 1.14L♠ 4.3 6 miles to Sept 30 6 miles to Sept 30 5 miles to Sept 30 6 miles to Sept 30 6 miles to Sept 30 (8.7) (99.7) (712) (59) (1.47) (35) (345) (35.8) (57.6) (18.1) (45.5) (15.4) (45.5) (45.5) (45.1) (45.6) (45.1) (45.8) (58.9) (58.9) (58.9) (58.9) (58.9) (58.9) (58.9) (0.81) (16.24) (1694) (1694) (1694) (1694) (1694) (1.314) (1.314) (1.314) (1.314) (1.324) (1.324) (1.34) (1 37,7 City of London PR 6 miles to Sept 30 Dart 8 miles to Sept 30 David Glass \$\phi\$ 6 miles to Sept 30 DBS \$\phi\$ 6 miles to Sept 30 DBS \$\phi\$ 6 miles to Sept 30 Effect (8) 6 miles to Sept 30 0.737 53.8 56.7 22.8 20.5 46.4 19.2 5 4.58 27.24 1.14 2.91 6.64 13 5.11 228.2 0.291 174 0.65 1.394 15.5 0.85 1.6 4.44† 5.6L† 28 wiss to Oct 12 3,477 6 milts to Sept 30 2.73 12.75 28 w/s to Oct 12 ... 6 mathe Secot 30 (20.6) (144) (0.25) (4.26) 2.91L 19,31 11.75 6 miths to Sept 30 95.5 Yr to Sept 30 97.9 6 miths to Oct 31 83.7 0.588 (-) 0.15L (0.127L) 3.04 (2.1) 0.283 (0.245) 2.82 (2.72) (+) (99.2) (88.2) (£115.1) (-) (0.85L) (4.67) (1.6) (9.84) 0.99L 4.58† mme 6 mithe to Sept 30★ 300.2‡ (277.5‡)

ucible

hoots

"I greatly value the FT, which I deem to be the undisputed leader in its field. My day always starts with it"

ROBERT AYLING
Chief Executive
British Airways Plc

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Financial Times.
World Business Newspaper.

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INTERNATIONAL CAPITAL MARKETS

UK gilts jump on strong overseas buying

GOVERNMENT BONDS By Richard Adams in London and Lisa Bransten

in New York

markets generally had a slightly negative session, with the marked exception of UK gilts. US Treasuries, meanwhile, traded quietly as market participants continued to digest the recent aupply of new bonds.

UK gilts turned in a solid buying from overseas invesavoid any pre-Budget torpor. that the past week had seen in London, said he was not growing demand for gilts surprised to see the upturn from overseas buyers, in overseas buying. "It attracted by their relative makes no sense at all that cheapness compared with other European bonds, and

reforms in tax payments by overseas holders.

On Liffe, December long gilt futures settled at 11011. a rise of 1/2 from Wednesday's settlement price. In the cash European government bond market, the benchmark 2000 gilt rose by % to 108% to yield 7.10 per cent, while the 2006 gilt rose by % to 100%. to yield 7.48 per cent. Much of the demand was

said to be coming from Japa-nese funds. The flows out of in London said: "With a yen into sterling to pay for the bonds are believed to performance as a stream of have been a significant factor in sterling's rise from tors belped the market to Y186.5 to Y188.2 yesterday. Mr Nick Parsons, analyst

Dealers in London said at Paribas Capital Markets gilts are the highest yielder in all of Europe, bar Greece," by this week's proposals for Mr Parsons said.

Domestic demand, meanwhile, had been flat as cautious UK institutional investors await next week's

budget. The rise in gilts followed third-quarter GDP figures showing an annualised rise of 23 per cent, in line with market expectations but with the background figures being positive for gilts.

quarter of the growth in the third quarter being accounted for by a rebound in stockbuilding, the underlying picture is somewhat weaker than the headline figures suggest and shows few signs of overheating."

In spite of the strong performance, the 10-year yield spread between gilts and their German counterparts narrowed by only 6 basis points to 179 points.

affected by the ups and downs of the franc yesterday, as only 12 per cent of French bonds are held outside of the country.

This is an historically low level of overseas participation, dne to the fact that OATs now yield less than ian November preliminary German bunds. In recent price index. years, foreign investors have held up to one-third of existing OATs.

Matif's December notional bond futures fell slightly, by 0.07 to 127.64. Ms Marie Owens Thomsen, chief economist at BIP-Dresdner Bank in Paris, said the possibility still existed of a five basis point cnt by the Bank of France next week, but only if the franc remained strong

E US DOLLARS

New international bond issues

reduction in the Bank of 1 to 99 to yielding 5.659 per Spain's securities repurchase cent. The new five-year note,

Italian government bonds (BTPs) were rallied in late 99H with a yield of 5.912 per trading by the confirmation cent. of a low inflation figure, with the release of the Ital-

Data from six sample figure of 2.6 per cent. BTP futures on Liffe settled at 344,000 last week. 127.27, down 0.03 from the 127.30.

US Treasury prices were almost flat by midday yesterday as Wall Street digested has come on to the market this week

French bonds were little continued to anticipate a end the two-year note lost which was auctioned on Wednesday, was trading for

> The December 30-year bond future, meanwhile, fell by & to 115%.

There was little reaction to data showing that first time cities predicted an annual claims for unemployment benefits jumped by 17,000 to

Economists from Donaldprevious day's price of son, Lufkin & Jenrette warned that the weekly figures can be very volatile, but they added that if the number of people filing new the new round of supply that nnemployment claims remained above 340,000, it would indicate "a clear mod-Spanish bond futures settled up on the day's trading by 0.43, at 111.01, as traders

Near midday, the benchmark S0-year Treasury was labour conditions that were prevalent in the early fall and late summer.

CAPITAL MARKETS NEWS DIGEST

S&P to formalise unsolicited ratings

Standard & Poor's, the US credit rating agency, is moving closer to formalising the issuance of unsolicited ratings, which are issued without co-operation from the rated entity. Before the end of the year, it will have issued such ratings on emerging market banks in Singapore, Malaysia, Mexico, Colombia and Slovakia, as well as Japanese regional banks. S&P said borrowers would be informed before such ratings were issued and offered the chance to co-operate for a full rating.

The agency has defined a new rating scale reduced to nine notches, ranging from AAA to D, but without the differentiation of plus and minus signs, its full scale comprises 21 notches. "Because 'pi' ratings are based on public information, it is not feasible to provide the same degree of precision as that available in S&P's traditional retings," the agency explained. It also said the ratings would only be reviewed annually, or in the wake of Samer Iskandar, London

Short-selling funds ahead

Short-selling hedge funds - which bet on a fall in share prices - defied the US stock market's rise and surpassed all other types of bedge funds in October, gaining on average 8.7 per cent.

"One might assume that short-selling bedge funds would have suffered as the Dow Jones [index] eased past the 6,000 mark," said Mr George Van, chairman of US investment advisory firm Van Hedge Fund Advisors. Mr Van said this outperformance was due to the correction suffered by small capitalisation stocks, notably in the

OMLX volatility futures

A new range of futures contracts based on market volatility is being launched on the OMLX, the London offshoot of the Swedish derivatives exchange. The new VOLX futures, which start trading today, settle according to the price volatility (a measure of the frequency and magnitude of price changes in the market) of a range of equity markets.

Four VOLX contracts, for March, June, September and December, are being launched, based on markets in the UK, Germany and Sweden. Each contract uses the underlying index as its reference point, which in the UK will be the FTSE 100. The products have been devised by Albourne Partners, a consultancy focused on the activities of hedge funds.

DTB extends trading hours

DTB, the German derivatives exchange which is part of Deutsche Börse, is extending trading hours on its interest rate products by 1½ hours. It said the change would benefit those trading on the DTB system from the US. Trading hours will be extended to 7pm local time (6pm GMT), from 5.30pm. Reuter, Frankfur

> **UK Indices** High coupon yield ---ov 21 Nov 20 Yr. ago

> > 7.31 7.73 7.78

Nov 15 Nov 14 109.1

United News & Media launches convertible

INTERNATIONAL BONDS By Conner Middelmann

performance of the UK currency and the gilts market, the eurosterling sector had an active day yesterday.

In the equity-linked market, United News & Media, the UK media and publishing group which owns, among others, the Daily Express and the Express on Sunday, issued a £180m convertible bond that was widely welcomed, in spite of its aggressive pricing.

"Recent redemptions have meant that there's a dearth of supply in the sterling convertible market, so it was good to see a liquid new issue," one banker said. "It was fully priced, but fair."

convertibles allowed the borrower to achieve the most aggressive pricing possible tions organiser.

Lifted by the strong within the indicated terms. Elsewhere, M

The sevsn-year bonds carry a coupon of 6% per cent - the bottom of the 6% to 6% per cent indicated range - and were priced at a conversion premium of 18 per cent, the top of the 14

per cent to 18 per cent range. Lead manager Dresdner bonds met strong demand, especially from continental Europe, "Sterling's current strength and the buoyant UK equity and bond markets make convertibles very attractive," said a syndicate official.

The company plans to use the proceeds of the issue to had gone too far. refinance the short-term

Strong demand for sterling debt it raised towards its recent acquisition of the Blenheim Group, the exhibi

> Elsewhere, Morgan Guar anty Trust issued £150m of five-year bonds yielding 16 basis points over gilts at the re-offer price. The issue fol lows two recent five-year sterling issues for L-Bank and Bayerische Landesbank

However, a syndicate official at lead manager Kleinwort Benson said the J.P. Morgan said: "We have seen continued demand for sterling paper which wasn't aatisfied by the recen issues." He reported strong bids from retail and institutional investors in Switzerland, Benelux and East Asia Bank, meanwhile, increased who felt the underperform-

ACBOT, Class A(a)*; Finnish Export Credit(I)*	160 90	(#1,I) 5.65¢	99.686R 100.00	Jan 2007 Dec 1999	0.50R 0.35		. Lahman Brothers Inti Walko Inti (Europe)
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a £250m offering it launched lead manager Nikko said. ance of the UK bond market in Angust by a further £100m to satisfy pent-np The European Investment demand from continental basis points over gilts; that points below gilts.

European retail investors, fell to as low as 20 basis points through gilts, and The bonds were originally yesterday's increase was launched at a spread of 3 priced at a spread of 5 basis

BENCHMARI	C GOY	ERNA	WENT I	BONDS				E BUN	FUTURE	S OPTION	IS (LIFFE) DM250	2,000 point	of 100%			FTSE Actua	ries (Govt. S	ecuri	ties									UK
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Australia Austria Belgium Carada * Decenerk	6.750 5.875 7.000 7.000 8.000	12/06	107.0300 106.5500 107,9800	-0.040 -0.020 +0.450 -0.080	7.12 5.96 6.01 6.12 6.82	7.08 5.93 6.00 6.15 6.78	6.84	10050 10100 10150 Est, vol. 1	0,44 0.05 0.01 otel, Cells 1	0.16	0.80 0.42 0.28 3457, Pre	0.75 0.56 0.41 wous day	0.13 0.59	1,21 1	.13 .45 .81 91 Put	1,28 1,59 1,94 is 262282	1 Up to 5 years (21) 2 5-15 years (18) 3 Over 15 years (8) 4 irredeemables (6) 5 All stocks (53)	120.87 150.33 170.37 192.63 144.67	0.51 0.67	120.76 149.94 169.50 191.35 144.31	2.17 3.14 4.54 0.86 3.02	8,90 9,84 9,83 13,47 9,64	20 yrs	7.18 7.67 7.75 7.78	7.21 7.73 7.80 7.85	7,80	7.24 7.2 7.85 7.6 7.70 7.7	7.6	34 7,6	59 7.
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un 126.42	126.30	-0.08	128,42	126.24	88	5,678		ter	94,64	94,50	-0.08	94.64	94.58	245	176
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•	U.S. DOLLAR STRAIGHTS					Spain 7 ¹ 4 06	1087	109	٦,	5.53				7.70
	Abbey Neil Tracsury 612 05 1000	1014	101%	+10	627	Volkewagen Intil Fin 7 03 1000	1064	1083			British Lend 8% 23 £ 150	964		9.47
	ABN Anno Bank 7 ¹ 4 05 1000 Alifcan Dev Bk 7 ³ a 23 500	103%	104	44	6.78		1023	10212	-	5.46	Demmark 6% 98 £	993		7,11
	African Dev Bk 73 23 500	103 ¹ e	1035		7.10	World Bank 51g 02 3000	10474	1043			Depta Finance 71g 00 £ 500	967		7.72
•	Alberta Province 75 89 1000	1031	1033			World Bank 71 05 3000	107%	10734	7	5.92	BB 8 05 £ 1000	102 ¹ 2		7.49
•	Asian Dev Bank 64, 05 750	38 ₃ 8	862	4							Glesso Wellcome 83, 05 2 500	10434	105 +4	7.99
	Avairie 8 ¹ 2 00 400 Baden-Wuertt L-Fin 8 ¹ 8 00 1000	1067	1074		6.04	SWISS FRANC STRAIGHTS						11012	1104	8.33
	Begen-Wuent L-Fin 84 00 1000		1057		6.07	Asian Dev Bank O 18	38%		+2	5.08	HSBC Holdings 11.99 06 £ 153	116 ¹ 8		8.03
	Baracomed 7 ⁴ 4 04 1000 Bank Ned Gerneenten 7 98 1000	1023.	108		10.27 5.87	Austria 4½ 00 1000	1052	10512	+4	2.09	taly 10 ¹ 2 14 £ 400 Jepen Dev Bk 7 00 £ 200	130%		8.22
	Bayor Vereinsbik 63 00		105%		8.11	Council Europe 4 ¹ s 99 250 Denmark 4 ¹ s 98 1000 EB 3 ¹ s 98 1000 EB 6 ¹ s 04 300	1024	102% 104%		236 286	Jepen Dev Bk 7 00 £ 200	994		7.03
	Betaum 512 03	95%			6.25	FB 31, 99 1000	1027	1024		244	Land Sect 912 07 £	100'2		8.20
	Belgium 5½ 03 1000 British Columbia 7¾ 02 500	106%	1074	44		EB 6% 04 200	114	114		450	Programmer RA D3 C 250	1043		7.64 7.60
	British Gas 0 21 1500 Canada 6 ³ s 05 1500 Cheung Kong Fin 5 ³ z 98 500	163	17	-4	7.46	Firland 7 ¹ 4 98 500 toelend 7 ⁵ 8 00 100 Inter Amer Day 4 ¹ 4 03 600	11112	11112		3.02	Onterio 11 ¹ g 01 £ 100 Powergen 8 ⁷ g 03 £ 250 Sovern Trent 11 ¹ g 99 £ 150	1094		7.A7
	Canada 6 ³ a 05 1500	1001	1004	44		tooland 75g 00	114	114		351	Tolgo Elec Power 11 01 £ 150	1123		7.64
	Chaung Kong Fin 512 98 500	96	96 ¹ 2		6.67	Inter Amer Dev 41, 03 600	1064	106 ¹ 4	+10	368	TCNZ Fig 64, 02 NZS	2061-		7.76
	China 6 ¹ 2 04 1000 Credit Foncier 9 ¹ 2 98 300 Dermark 5 ¹ 4 98 1000	974,	984		7.02	Unizatio 64, 03 400					World Bank 8 98 N2\$ 250	103 ¹ 2		7.81
	Creat Fonder 9-2 90	1074	1077	+48		Quebec Hydro 5 05	1034	10314	+4	4.62	Credit Local 6 01 FFr	104		5.07
	East Jenus Rebuy AL 04 600	1005	100%	44	5.63 6.51	SNCF 7 04 450 Sweden 43, 03 500	1184	118%	J.	428	Dermark 51 ₂ 98 FFr 7000	1033		425
	E6st Japan Rahway 6 ³ g 04 600 E8 6 04 500 E8 6 ³ g 97 1000	gal	88 ₁ 5	7	212	World Bank 0 21 700	202	1055g 26%	+4	3.78	Bec de France 84, 22 FFr 3000	123	12312 -74	6.82
	28 6 4 97 1000	10312	103%	٦,		World Bank 7 01 600	11442	11412	+2	331	FLOATING PLATE NOTES			
	Elec de France 9 98 200	103%	1041	-	5.81					001	leaned	Elid	-	
	Elec de France 9 98 200 Ex-lm Benk Japan 8 02 500	107%	108 ¹ 8	+10	625	YEN STRAIGHTS							Offer C	срп
	Export Dev Corp 9 ¹ 2 98 1800 Export Capital 0 04 1800 Fed Home Loan 7 ¹ 8 98 1500	105%	105	4	5.23	TEN STRAKEHIS Belgium 5 98	1111	1114		1.29	Alabey Neil Treasury -14 99 1000	99.94	100.00 5.5	5038
•	Econ Capital 0 04 1800	612	617	+4	6.28	Credit Foncier 4% 02 75000	1124	11212	-12	2.45	Argentaria Globel Fin 001 200	99.59		5000
	Fed Home Loan 7-9 98 1500	1034	1034		5.92		111	1174		1.35	Bankamerica 1 ₂ 99 750 Carecta -1 ₄ 98 2000	99.99		7500
	Federal Nati Most 7,40 04 1500 Finland 64, 97	100*2	106 ³ 4 101 ¹ 2	+10	5.80	Ex-Im Bank Jepan 4/3 98 105000	11238	1123	۵.	240	CCCE 0 06 Equ 200	99.70		2500
	Ford Motor Credit 64: 98 1500		100%		5.91	20000 mar value (14 00 30000	71972	1194	-48	146	Commercials O/S Fig -1 98 750	99.63 99.81		2578
	General Mile 0 13 1000	25%	261		8.41	link 5.04 200000	116la	1073 ₂ 1164	ᆠ	270	Credit Lyonnais & 00	98.08		4062 9375
	General Mile 0 13 1000 IN Finance 54; 98 630 Inter-Amer Day 61 ₈ 05 1000	954	987		5.91	http://mer. Day 7 ¹ 4 00 30000	1105	110%	-	1.20	Dreadner Finance & 98 DM _ 1000	100.00		1602
	Inter-Amer Day 61 ₈ 05	96 ¹ 2	985	+38	644	Jepen Dev Bk 612 01 120000	1214		4	183	Fed Net Most -2 00 1000	98.80		4492
	MOR-After Dev 712 US 500	100%	108 ³ a	44	6.49	SNCF 64, 00 30000	1174	1173		1.37	Pritand -1 99 1500	99.96		3/50
	Int Finance 54, 99 500	96%	801		5.82	SNCF 64, 00	1183	116%		201		100.11		660
	kely 8 03 2000 kely 67g 23 2500 Japan Dav 9k 67g 01 500 Koren Elec Power 67g 89 1350	98%	954	+12	8.35 7.21	Sweden 4% 98 150000	104%	104%		0.85	Park 1. 00 4 99 500	100.45		7812
	Japan Dev Sk 8-5 (1) 500	107%	1051	7	6.19	MONG 254K 24 12 25000	71678	1164	4	1.98		100.41 100.22		5938
	Korea Elec Power 6% 89 1350	9832	9832	٠,	278	OTHER STRAIGHTS					LKE Baden-Whiert Fig -1- RB 1000	99.91		3125 4375
	Metsushilip. Elec 74; 02	10 0	104%	ولب	6.37	Cradit Foncier 7.60 02 UFr 2000					Libyds Bank Perp S 0.10 R00	86.30		B295
	Ontario 73 02	105	10512	44	6.43	88 74 05 UP 3000	10712	108 ³ 2		6.00	Malayela 1: 05 650 Nove Scotia 2: 99 900	99.82		5575
	Otter Kontrollbank 6 ² 2 01 200		1085 ₈		6.20	Rebobenk Nederti 84, 04 LFr 3000	112	113	2	6.30	Nova Scotia & 99 500	100.00		8675
_		97	9714	+18	639	Austria 6 ¹ 2 95 FI 1000	10512	1055		4.00	CHARGO U NO 2000	100.08		5000
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	SAS 10 89 200	4773L	107%		6.37	Bell Carrada 10% 99 CS	114%	1144	+4	4.71	Perts 0.98 500	99,76		625
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ì	Sweden 612 05 2000	1015		ął _e			113	108¼ 113³g		3.89		99.96		1469
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•	Tennessee Valley 6 ³ g 05 2000	100 ¹ 8	1003 ₈	41.	6.46	Nicocon Tel Tel 1014 96 CS 90n	11430		Ξ,	4.79		-0.10	ma-05 23	way
ı	10MAD FIEC LOME, DAT 72 1700	30 T		ᄟ	5.14	Ontario 8 00 C\$ 1500 Ontario Hydro 10% 98 C\$ 500	1114	11112	- •	5.93	CONVERTELE BONDS			
	Toyota Motor 5 ⁵ g 98	39 A	100		580	Ontario Hydro 10% 98 C\$ 500	1144	114%	- L	4.41	Ce	X704.		
	United Kingdom 74, 02 3000	106		₩.	6.08	Uster Kontrollbank 104, R9 CS 15h	1137	1144		4.81	Issued Pr		Bid Offer Pri	400
	Walt Digney 6 ³ t 01 1300 World Bank 9 ³ t 05 1500	100/2		4	6.34	Quebec Hydro 7 04 C\$ 1000	104 ⁵ 2	104%	Į,		Afficial Company			_
1	HULLE COME OF CO.	HOT!		+18	8.35	Quebec Prov 1012 98 CS 200	1115	112	ڇَلب	4.37				8.33
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1	DELTISCHE MARK STRAIGHTS					Credit Fonder 8 ³ 1 04 Equ 1000	111		ᅸ	6.43	Hanson America 2.30 (K 420 12	4.3 7 1	118 119 43	3.91
	Austria 6/2 24 2000	96	98		6 P2	Denmark 8 ¹ 2 02 Eq 1000	1133	1135	-f8		HOND WORD LINES 4 III AND 24			0 6-
	Baden-Wuett 1Firance 6 89 . 2000				404	EC 6 00 Ecu 1100		1037		- 30	Land Secs 64 62 F av 4			8.51 9.74
	Credit Fonder 71 03 2000			4	200	BB 10 01 Ecu 1150 Ferro del Stat 10 ¹ g 98 Ecu 500	11772	11734	4	5.22	Leamo 74, 05 £ 98			
	Deramank 6 ¹ 5 98 2000	1037	1071	-	150	bale ent on care	NO.8	105°g	- <u>1</u> -	4.43	MBL Intl Fin 3 02 2000	22 14	0-2 BUNG NS-1111	100
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	EEC 612 00 2900	1084	108½		4.62	Comm Bk Australia 134, 99 AS . 100	1167	1173	- -	-	Sandoz Canital 2 (2) wa	, i (24 HQ4 42	2,10
	BB 6 ¹ 4 00 1500		1055	٦,	4.00	EBB 7 ³ H 99 AS 260 NSW Treasury Zero 0 20 AS 1000	400			-	SANDO ESVI PATRINCIA 7 IA (E)	70 0	m? a.)	
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	150 7 14 98 5000	1044	1043	ı,	361	R & 1 Bank 7 4 03 AS 125	100,	1024				59 °	al only	50
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	Norway 8 ¹ g 98	10312					MAL	102)	-8	/24	Sun Autoros /4 08 £ 195 Transmitantic Hidga 5½ 89 £ _ 250 5 * No information available - previous da ‡ Only one market maker supplied a pr	.05 A	H 894 -14	LB6
	Ortato 64 04	105 A		42	5.85	Western Aust Treas 7% 98 AS _ 100	1011)L	101 5		6.05 C.E.S	No ellomation available - previous da	/a price	7 700	
		-	-	-			W1-2	40149		0.08	+ cod con incide water pricing o fil	CO		

CURRENCIES AND MONEY

Pound hits highest level since ERM exit

MARKETS REPORT By Simon Kuper

Sterling yesterday soared to The French franc fell central bank.
its highest level since the sharply against the D.Mark, But Spain is thought to mechanism in September It fell from FFr3.383 to to protect exporters. The 1992. Measured against a FFr3.389 on fears that a peseta closed just 0.03 ptas trade weighted basket of cur- growing number of French stronger against the D-Mark

at the index level of 92.8. It gained 2.1 pfennigs currency after a 1.3 cent rise to \$1.690.

belief that UK base rates will 1.999.2 rise next month. However, rise next month. However,
Mr Nick Stamenkovic; econor of Spain intervened in the rate has been almost static Seguin, the Gaullist National recently. Yesterday the france of Spain intervened in the rate has been almost static seguin, the Gaullist National recently. in London, cautioned that a the currency broke through. tight Budget next week could reduce the need for a Peaced in New York

Sahead

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The Section of the Section

ling hours

Lik leden

Yesterday's UK data made
little impact on the market:
third quarter GDP rose 0.8
per cent as expected, and

Nov 21

POUND SPOT FORWARD AGAMEST THE POUND

to affect the pound.

week it was forced out of the given the very narrow range want to stop its currency European exchange rate in which it normally trades. from rising too far in order rendes, it closed in London politicians oppose the gov- in London yesterday.

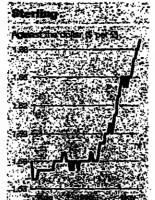
ernment's franc fort policy. against the D-Mark and its sharp rise of the day gained Y0.2 against the yen reached yet another four- before, reaching L995 to the after the Japanese governyear high against the US D-Mark, but later fell on sus- ment closed the regional currency after a 1.3 cent rise pected selling of lira by the bank of Italy. The currency suggested that the financial system's bad debt crisis per worry. But many politicians upwards by the market's stronger on the day at sists.

1,6810

even the far higher than resistance at 84 ptas to the expected second quarter cor- D-Mark. The peseta was rent account estimate failed buoyed by positive comments on inflation from the

The dollar barely moved The lira initially continued against the D-Mark. It

> fell a little at last, as the market's doubts grew about whether France could sustain the franc fort policy.



outside government want to see a franc weakening.

Yesterday Mr Philippe the chorus. He said that comments on European monetary union the day before by Mr Valery Giscard The Paris government d'Estaing, the former French appears wholly behind the president, were "impeccable" strong franc, even though and made "good sense" Mr unemployment is a big Giscard d'Estaing had called

DOLLAR SPOT FOR

for a franc depreciation. Chancellor Helmut Kohl yes- keep watching the D-Mark terday evening, the former French franc rate, boping to president retracted the com- make money out of the ments, saying the franc's French currency at last. level against the D-Mark was "no problem", although the Wednesday night's South

the dollar.

economic fundamentals. Mr Jean Arthuis, the French depreciation, saying: "When terday's buyers of rand. the franc weakens, interest

But with rumours that a

Nov 21 E \$
Casch 8p 44,8256 - 44,8778 28,5910 - 28,6910
Hangany 262,244 - 282,637 155,226 - 155,270
Iran 5070,80 - 5088,50 3000,00 - 5000,00
Chrunit 0,3066 - 0,504 0,0067 - 0,2984
Poland 4,7416 - 4,7512 2,8055 - 2,8110
Rousin 5022,11 - 9289,34 5494,00 - 5496,00
U.A.E, 5,2050 - 8,2051 3,6727 - 3,5730

E OTHER CURRENC

French cabinet reshuffle But after meeting German imminent, the markets wil

currency should fall against African rate hike has reversed the rand's slide The German government temporarily at least. The had already issued a state- currency, which has los ment in the afternoon saying more than a quarter of its that both Germany and value this year, gained 5.4 France believe the current cents yesterday to close a exchange rate is in line with R.4.611 to the dollar after the Reserve Bank raised the key Bank rate by 1 percentage finance minister, also point. The central bank was rejected calls for a sharp rumoured to be among yes

Mr Chris Stals, the bank's governor, said he was rais ing the rate to 17 per cen because of the unstable rand, rising money market higher inflation.

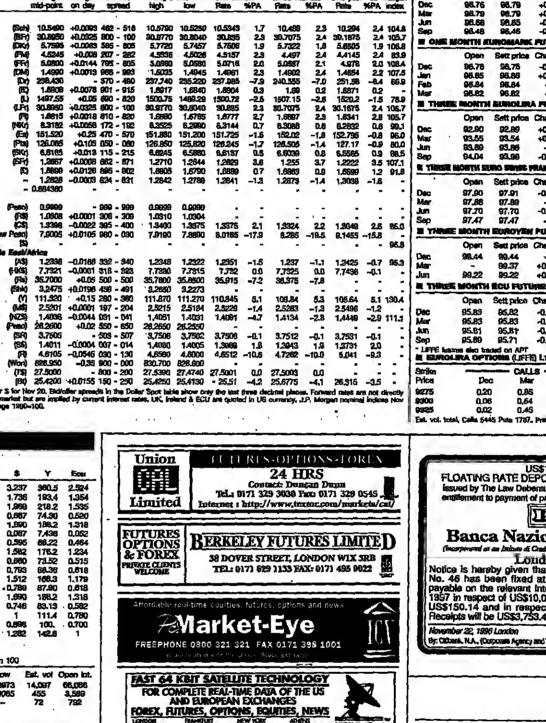
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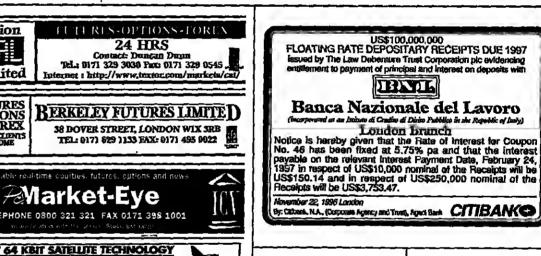
	November	21	Over	One	Three	SIX	One	Lomb.	Dis.	Repo
			night	month	mphs		year			rate
is	Belgitim		3	32	31	34	3%	6.00	2.50	
11	France		3%	3%	32	33	34	3.20	_	4.76
k/	Germany		3 5%	3 <u>4</u> 5%	3% 52	. 914 574	3% 58	4.50	2.50	3.00 8.25
ò	Italy		79	74	74	6张	54 6 <u>1</u> 2	6.00	7.50	6.05
ie	Netherland		22	2	21	3	34	- ;	3.00	3.30
•	Switzerland	ŧ	1% 5%	17	13		2%		1.00	-
	Japan		3	5 <u>&</u>	经数		5 <u>6</u>		5.00 0.50	-
Ъ	E SUBOR	FILON		<u>-</u> -						
S	interbenk f	báng.	•	5%	51/2		52	-	-	-
e.	US Doller (-	5.18	5.10		5.26	-	-	-
le	SDR Linker		_	4½ 32	4% 84	4 <u>4</u> 3%	4 <u>3</u> 3 <u>4</u>		-	-
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2	S LIBOR Inc reference be Mississippl, 8	Dies at 1	am cec	ti working	g day.	The beni	e are. Den	kers Trust,	Bank	of Toky
Ą	Mich Laples mile	מל השנוחה	the don	needle Mor	ney Radi	e, USS CI	DE, ECU & S	IDR Unked I	Deposit	DQ.
at	EURO	CHIDE	NEW C	v in	TEB	EST	DATES			
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y	100,00		Serin	notic		month	months	months		year
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	Asian SSing	35	- 312	312 - 3	Pg 3₁	3.	32 - 34	3/6 - 3/	3	- 3-1
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•	= ====			xice C				Est. v		
	Dec	Open 96.50	36.		0.02	High 98.51	15.47			en int. 5,574
	Mar	96.45	96		0.01	98.47	98.42			2,168
Э,	Jan .	96.40	96.	39 -	0.01	96.42	96.37	5,711	3	1,506
ı	E THREE	MONTH	EURC	MARK	FUTU	PER (L	FFE) DM	im points	of 100	7%
		Open	Sett	rice Ct	range	High	Low	Est, v	ol Op	en int
K	Dec	95.76	98.7		0.02	95,79	96.76	2047	20	38589
-	Mar	96.79	96.7		0.01	96.80	96.77	2679		71420
8	Jun Sep	96.48	96.6 96.4		D.01 D.01	96.68 96,49	96.82 96.42	27177 23943		37742 33987
,7 8	I ONE NO								-	
9		Open	Sett p	rice Ch	ange	High	Low	Est. v	00	en Int.
4	Dec	96.76	98,7		D.D1	98.78	D8.74	2500		0
5	Jan	98.85	96.8		0.01	96.86	96.85	631		0
•	Feb Mar	95.84	96.8		-	98.85 98.83	98.84	1896 751		0
9	II THIREE			_	UTUR				of 100	
7		Open		rice Ch		High	Low	Est, vo		en Int.
;	Dec	92.90	92.8		0.03	92.92	82,83	13829		7855
0	Mas ·	83.55	93.5		0.01	93.50	93,AB	14132		B184
5	Jun	93.89	93.8		-	93.91	93,81	5899	4	3772
1	Sep	94,04	93.9		101	94.04	93.92	3485		6011
8	N THREE M									
:		Open		dee Ch		High	Low	Est. vo	-	en int.
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- Į	Jun	97.70	97.7		1,01	87.71	97.64	1029		8616
5	Sep	97.47	97.4			97.49	. 97,44	88		621
-	E THREE	HONTH	EURO	YEN P	TUR	# (LIFF	→ Y100m	points of 1	00%	
В		Ореп	Sett p	de Ch	enge	High	Low	Est. vo	J Op	on Int.
9	Dec	28.44	99.4			99.44	99.44	29		n/a
1	Mar	00.00	99.3		1,01		***	0		N⁄a
-	Jun A THREE I	99.22	99.2		1.03	99,22	99.22	200		n∕a
: 1			_		_					
۱:	-	Open		ice Ch	_	High	LOW	Est, vo		in int.
; ;	Mer	95.89 95.83	95.83		1.02 1.02	95,84 95.84	95.81 95.82	1096 408	- 1	666 184
- [,JUG	95.81	95,8		LOZ	95,82	95.80	210		556
:	Sep	95.89	95.7	-0	.03	95,73	95.69	209		135
: 1	EUROLU				1000~	notive :	of 10/204			
1						, ,	. 100M	015		
}	Strike Price	De		Mar	, li	37)	Dec	PUTS -	1	un
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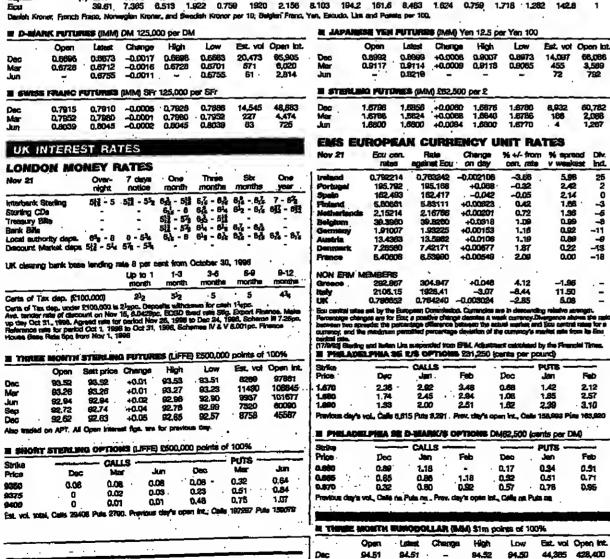
WORLD INTEREST RATES

MONEY RATES

(Sch) 17,8263 +0.1481 178 - 347 17.8948 17.8982 17.7828 2.9 17.7283 2.2 - 104.8 49 52.2405 0.04.423 718 - 441 52.2445 51.8000 52.083 2.9 51.818 3.0 50.823 3.0 105.8 1004 17.8457 +0.0703 377 - 536 7.8540 7.5810 2.5 9.6722 2.5 9.4932 2.5 107.1 100.0 100. Enu Agresticas Argentins Poso) 1,8887 +0,0128 883 900 1,8803 1,5787 - 2288 2.7 2.48 2.8 2.19 9.5 56.8 Careda (2) 1,8004 +0,0013 81 - 649 2,2880 2,240 2,2588 2.7 2.248 2.8 2.19 9.5 56.8 Careda (2) 1,8004 +0,0013 81 - 649 1,2875 77 1,3328 1,2282 1,228 1,289 1,2805 1,800 SDRT CROSS RATES AND DERIVATIVES FI NRC Es Pin SRC 5.443 20.46 490.3 408.0 21.41 2.920 10.97 263.0 218.8 11.49 3.311 12.44 298.2 248.1 13.02 1.122 4.218 101.1 84.08 4.414 2.842 10.68 256.0 213.0 11.18 0.112 0.422 10.11 84.8 0.442 1 3.758 90.06 74.95 8.834 2.961 10 239.7 199.4 10.47 1.110 4.172 100. 83.20 4.967 1.534 5.074 120.2 100. 5.249 2.542 8.563 229.0 190.5 10 1.327 4.966 119.5 99.49 5.222 2.842 10.68 256.0 213.0 11.18 1.255 4.717 113.1 64.08 4.936 1.862 6.320 151.5 128.0 6.615 1.510 5.675 136.0 113.2 5.940 2.156 8.103 194.2 161.6 8.463 glant Fatter, Yer, Escubo, Lin and Pensits per 100. ## 2 C\$ 4.101 1.916 4.336 2.200 1.027 2.328 2.494 1.165 2.637 0.845 0.395 0.894 2.141 1.000 2.284 0.065 0.040 0.069 0.753 0.352 0.797 2.005 0.398 2.120 0.836 0.391 0.884 1.005 0.489 1.068 1.915 0.894 2.025 1 0.457 1.057 2.141 1 2.264 0.946 0.442 1 1.267 0.592 1.340 1.138 0.531 1.203 1.524 0.759 1.718 16.44 4.832 8.819 2.602 10 2.951 3.389 1 8.584 2.533 0.389 0.100 3.020 0.891 1.189 4.030 1.189 4.030 1.189 4.030 1.189 5.678 2.256 4.009 1.163 8.584 2.533 3.792 1.118 5.079 1.499 4.581 1.348 1.942 1.942 1.942 1.942 1.942 1.915 .4848 1.027 2600 1.165 2949 0.395 990.2 1 2531 0.040 100. 0.352 690.6 0.896 2370 0.391 868.7 0.469 1182 0.467 1182 1.000 2551 0.442 1118 0.592 1498 0.593 1498 0.593 1498 3.237 360.5 2.524 1.736 183.4 1.354 1.959 218.2 1.535 0.667 74.30 0.520 1.890 188.2 1.318 0.087 74.38 0.052 0.595 68.22 0.464 1.582 176.2 0.451 0.690 73.52 0.515 0.793 88.36 0.518 1.512 168.3 1.179 0.788 87.90 0.618 1.690 188.2 1.318 0.746 83.13 0.582 1 111.4 0.780 (BF) 100 (DK) 53.84 (FF) 60.82 (DM) 20.81 (E) 52.21 (L) 2.063 (F) 18.37 (NK) 48.89 (Ea) 20.39 (Pm) 24.51 18.64 10 11.33 3.842 9.783 0.365 3.425 8.113 3.802 4.569 8.706 4.546 9.733 4.299 5.759 5.172 7.365 74.90 188.2 7,438 66.22 176.2 73.52 68.36 166.3 87.90 188.2 83.13 52.21 2.063 18.37 48.89 20.39 24.51 46.70 24.39 52.21 23.06 30.89







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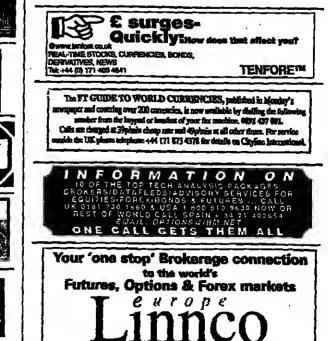
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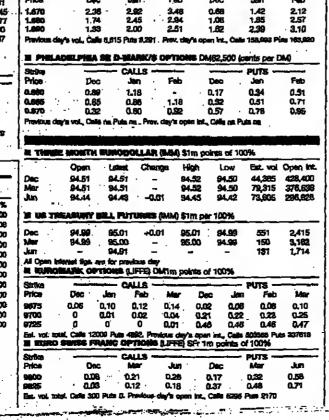


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	%	%	5.01 B.01
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Allied Trust Bury.	6.00	Seeter Bank Limited 7:00 Royal Bk of Scotland	
Milenty Anabacher	6.00	Financial & Gen Bank 7.00 GSinger & Friedlands	F 6.0
Sank of Berode	6.00	eRobert Fleming & Co8.00 Smith & Wilmen Sec	
		Globatik 5.75 Scottish Widows Barri	k 6.00
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Bank of Cyprus	-	Hubbb Bank AG Zurich 6.06 United Bank of Kurwa	L Q.Q
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8.00 8.00

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COMMODITIES AND AGRICULTURE

Kuwait sees need for Opec dialogue on quotas

By Robert Corzine in Kuwait City

Onec needs to debate the future of need to be dealt with." its oil production ceiling and the meeting in Vienna next week. even though high prices have the growth in world oil demand. reduced the financial pressures for an early rise in output, according to Kuwaiti officials.

official said yesterday. But there tably. Kuwait would not support a barrel it averaged \$22.37 last needs to be more dialogue within any scheme that relied on indexa-

Opec ... and there are still tion. That sounds too mechanismedium-term issues for 1997 that

These include over-production level of national quotas at its by some Opec states and the ways Opec countries "share fairly" in

The officials said Kuwait was keen to reach agreement on "a framework and principles" that People feel more comfortable would govern how the group with present prices," one senior could share demand growth equi-

tic," one official said.

All 11 members of the Organisation of Petroleum Exporting Countries have enjoyed an unexpected financial bonanza this year because of a sustained rally in

world oil prices. For the past several months, the Opec basket, an index of seven crude oils, has been well above the group's reference price of \$21 erally stuck to their quotas, even week and on Wednesday was still group's surplus capacity. But per-retariat of 25m b/d.

comfortably above tha target level sistent cheating on quotas by at \$21.94 a barrel.

The near-term ontlook for oil prices remains "relatively stable," the Knwaiti official said. But the country was still concerned about over-production hy other Opec

Large Gulf producers, such as Saudi Arabia, Kuwait and the United Arah Emirates, have genthough they have the bulk of the a recent forecast by the Opec sec-

other members has pushed overall group production to nearly 1m barrels a day above its 25.03m h/d ceiling, according to a survey car-

ried out by Reuters this week. Yesterday, Opec'a Economic Commission Board of technical and market experts predicted that demand for Opec oil in 1997 would remain relatively huoyant at 25.2m h/d, somewhat higher than

that over-production has been easily absorbed. But Kuwaiti officials stressed that this year's strong oil price did not lessen their concern about the longer-term effects of

persistent cheating. They would not be drawn, how ever, on what methods might be used to bring quota violators into line. "Opec has never dealt with over-producers by threats," one official said. "It's a question of

Domestic millers force up **US** wheat

By Laurie Morse

US wheat futures continued to rally yesterday, extending Wednesday's double-digit gains, as domestic millers pushed up prices to flush scarce milling-grade grain out of farmers's hins.

Statistics released by wheat futures markets in Chicago, Kansas City and Minneapolis on Tuesday showed supplies of wheat deliverable against the December futures contracts as half what they were a

Despite this year's expansion in world wheat supplies, the supply of foodgrade wheat in the US remains tight, analysts said. December wheat futures contracts begin their delivery period on November 29. and traders are positioned those contracts'

"Our futures traders have been so focused on keeping the [Chicago Board of Trade futures] price in line with world wheat prices that they've overlooked the domestic situation." said Mr William Biedermann, a grain market analyst for the

research firm Allendale. "We needed to get wheat prices higher to slow our pace of exports, and discourage wheat's use as a feed

By midday yesterday, wheat for December delivery on the CBOT bad rallied more than 5 cents a husbel, to \$4,22'4, adding to a 15'4 cent raily posted on

In Kansas City, where futures on high-quality bread-making wheat are traded, prices for December delivery were up nearly 10 cents a bushel to \$4.50, leaving the contract with a 26 cent gain over iwo trading

2.47.78

Forward selling Germany warms to New Zealand lamb

MARKETS REPORT

By Kenneth Gooding

and Deborah Hargreave Gold's dollar price fell to its lowest level for 20 months in

hits gold price

London yesterday. Traders said producers and speculators contributed to the drop: producers were selling forward to lock in future profits while speculators, mostly US bedge funds, continued to go short (sell gold they did not own in the

expectation that they could huy it later at a lower price). At the afternoon "fix" in London, gold slipped to \$377 a troy ounce, the lowest since March 6 last year. In late trading in London, it lost further ground to \$375 at one point, before recovering slightly to close at \$376.65,

Mr Ted Arnold, analyst at the Merrill Lynch financial services group, said gold was continuing to erode in "a very slow but steady fashion", with most bullion dealers looking for \$370 before the end of the year.

"In 1997 the low is seen by many, including ourselves, as being \$350 at some point in the year," he added. He suggested that producers, refiners and speculators were increasingly selling whenever the price rallied.

A strong rally in the price would bring out "masses and masses of forward selling" hy producers who failed to take advantage when gold jumped to \$418 an ounce in February this year. Mr

Arnold said. Natural gas futures on the New York Mercantile Exchange surged to an all-time high in early trading yesterday, with the December futures contract hitting \$3.85 per million British

thermal units. Part of the rise was attrihuted to a squeeze in the December contract, which was on its last trading day.

Prices slipped back later. Crude oil futures also rose sharply, partly reversing a large drop in price that happened in late trading on Wednesday. The market was led higher by stronger product prices, with gasoline showing moderate gains.

December futures on London's International Petroleum Exchange were up 46 cents to \$23.01 a harrel, but did not completely reverse the 84 cent drop late on Wednesday. Nymex crude prices were also higher at

Traders said the strength of the crude and gas markets was still dominated by about stocks and storage.

Germany has become New Zealand'a second most important market for lamb, helped hy the switch from beef in the wake of the "mad

cow" crisis. According to new figures from the New Zealand Meat Board, Germany bought 33 per cent more lamb in the year to end-September. It was second only to the UK. traditionally New Zealand's most important market.

The board said it regarded Germany as a land of opportunity. At present only wealthier Germans buy lamh regarding it as a specialoccasion meat - and half the population have not tasted the product.

Mr Boh Donderwinkel of the NZ Meat Board said many younger Europeans were rediscovering that lamh tastes good. "They were brought up being told hy their parents about wartime food abortages, and being lorced to eat mutton. It was very fatty ... and this led them to helieve that all sheepmeat tasted like that," However, the board thinks

that attitudes in Germany

are changing. It has launched a promotion of New Zealand lamb have risen from 25,000 tonnes to colder weather and fears the year to September was slightly more lamb to is sold under a contract extremely high survival worth NZ\$193m (US\$137m), Britain - but earned NZ\$76m negotiated in 1995 after the



The improving market for sheepmeat is welcome to New Zealand sheep farmers, who are receiving low prices for wool.

up NZ\$50m on the previous year, belped hy soaring

Britain remains the main market for New Zealand lamb, and customers are paying substantially more for it. This is some compenincluding in-store cooking sation to New Zealand farmers struggling with a strong rise in the Kiwi dollar.

in the year to September, 33,000 tonnes. The trade in New Zealand shipped

more for it for a total of European Union beef stock-NZ\$440m. The Meat Board expects the coming year will see a further increase in the value of the trade as prices are starting the new season sharply higher.

Iran, which buys lower carcasses and mutton, is New Zealand's third biggest market, taking 20,000 tonnes worth around NZ\$40m. This

pila was virtually eliminated Board's Economic Service and tha Iranians began looking for alternative meat supplies. New Zealand had sold no sheepmeat to Iran in the previous two years.

The improving market for value cuts, including frozen sheepmeat is welcome to New Zealand sheep farmers, who are receiving low prices for wool Favourable spring weather has ensured

the "excellent" figures show production efficiency and improved productivity, with fewer ewes producing more lambs. The ewes were also in good condition when they were mated again, ensuring a high survival rates for

JOTTER PAD

The Meat and Wool

estimates that lamb survival

rates are set to break new

The economic service says

records.

COMMODITIES PRICES BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgameted Metal Trading) E ALUMINIUM, 99.7 PURITY (S per tonne)

Close	1487-H	1506-7
Previous	1476.5-77.5	1497-99
High/low	1499	1521/1500
AM Official	1498-9	1515-6
Kerts close		1504-5
Open int.	235,608	
Total daily turnover	96,459	
M ALUMINIUM AL	LOY (\$ per to	nne)
Close	1325-30	1350-55
Previous	1320-30	1350-55
High/low		1360/1350
AM Official	1330-35	1355-60
Kerb close		1345-50
Open int.	6,073	
Total dolly turnover	1,595	
III LIEAD (\$ per tor	une)	_
Close	705-6	713-4
Previous	690.5-1.5	700-1
High/low		714/701
AM Official	700-01	710-0.5
Kerb close		713-4
Open int.	39,036	
Total daily turnover	10,291	
E NICKEL (S per I	tonne)	
Close	6790-800	6690-900
Provious	6740-50	6845-50
High/few	BRSOUBLES	895545850

High/low	6850/6845	6955A6850
AM Official	6840-45	6930-40
Kerb close		6965-75
Open Int.	46,687	
Total doily turnover	13,996	
TIN S per tonno	4	
Close	S150-60	6150-60
Previous	6075-85	6075-80
High/low		6170/6080
AM Official	6135-40	\$125-30
Kerb class		6150-60
Open Int.	14,732	
Total daily turnover	7,874	
E ZINC, special h	igh grade (S p	er tonnel
Clase	1056.5-7.5	1079-80
Previous	1052-53	1075 5-76
High/low		1087/1075
AM Official	1061-2	1084-4.5
Kerb close		1075-6
Open int.	81,806	
Total daily turnover	24,425	
E COPPER, grade	A (S per tonn	re)
Close	22.10 54	2212-4

Close	2349-54	2213-4
Previous	2345-50	2200-02
High/low		2216/2186
AM Official	2352-3	2208-9
Kerb close		2211-2
Open int.	174.081	
Total daily turnover	62,260	
E LIME AM Official LIME Closing \$4		
Spot. 1 6890 3 mbs. 1.685	5 6 miles 1 6810	9 matrix: 1 6756

	Sett	Dey's	iligh.	Low	Vol	Open let
Nov	106,10	-0.70	106.80	106.00	773	1,548
Dec	105.85	+0.30	106 30	104,66	10,154	18,220
Jee	104.40	+0.15	104.50	103.50	533	3,691
Feb	102.95		102.95	102.95	14	1,125
Mer	101.45	+0.35	101.95	100.30	6.237	19,245
Adr	106.25	+0.35	100 40	99.80	69	633
Total					18,254	62,948

PRECIOUS METALS E LONDON SULLION MARKET

Gold(Troy oz)	S price	£ equiv	SFr equiv
Close	376.10-376.40		
Opening	377.50-377.80		
Morning fox	378.50		478.316
Alternoon fix	377.00	223,540	477.320
Day's High	376,50-378,80		
Day's Low	375.60-376.10		
Previous close	379.00-379.40		
	0-14 1		- AL- LICES

3 months		
Şüver Fix	prirroy oz.	US cas equiv.
Spot	292.95	493.00
3 months	297.20	498.10
8 months	301.65	505.15
1 year	311.35	\$17.75
Gold Coins	S price	È equiv.
Krugerrand	378-380	223-225
Maple Leaf	381.40-383.65	

Precious Metals continued GRAINS AND OIL SEEDS M GOLD COMEX (100 Troy az; S/troy az)

Have	376.4	-25				
Dec Feb	376.5 378.4	-25		375.8	23,136	63,450 33,230
Apr	380.5	-2.6 -2.6	381.1	377.7		
Just	382.7	-26	385.1		746	14,178
Aug	384.9		March 1	4	1,290	
Total	30 4.4			_		178,261
R PLA	TIME	NOVA 45	Y /50	Town or		
			_		_	
Jen	387.3	-0.9	388.5	386.4		17,416
Apr	369.9	-0.9	390.6	389.0	245	8,499
Jul	392.8		393.0	393.0	1	993
Oct	395.9	-1.1	395.5	395.5		136
Total						27,844
PAL.	<u>LADIU</u>	M NYM	EX (IO	Troy	Z.; \$/0	<u> </u>
Dec	119.20	-0.45	118.50	119.00	526	3,482
Mar	120.50		120.95	120.25	695	4,398
Jun	121.60	-0.40		-	5	242
Dec	123.10	-0 40	124.00	124.00		-
Total					1,226	8,121
SILV	ERI CO	MEX &.	000 Tro	7 02: C	ends/tru	y azl
Rev	483.6	-10.4			10	
Dec	484.0	-10.5	494.5	490.5	19,590	40 860
Jan	485.8	-10.6		7,000	10,200	26
Mar	491 0		502.0	487.0	7.966	29,745
May	495.4	-10.7	505 0	493.0	154	
Jul	499.9	-19.5	507 0	498.0	142	6,103
Total					25,115	91,933
ENE						
CR	IDE Of	Day's		00 bar	rets. S/ Val	Cpen (nt
■ CRU	IDE Of	Day's change +0.27	High 23 84	Low 23.36	Voi 74,793	Open (nt 88,178
	JDE Off	Day's change	High 23 84	Low 23.36	Voi 74,793	Open (nt 88,178
Jan Feb	Latest prior 23 60 23.30 22.92	0.27's change +0.27 +0.28 +0.30	High 23 84 23 49 23 08	23.36 23.03 22.63	Vol 74,793 18,897 8,446	Open frst 88,178 42,021 24,956
Jan Feb	Latest prior 23 60 23.30 22.92 22.54	Bay's change +0.27 +0.28 +0.30 +0.33	High 23 64 23 49 23 08 22 69	23.36 23.03 22.63 22.27	Vol 74,793 18,897 8,446 4,331	Open frst 88,176 42,021 24,956 19,909
Jan Feb Har Apr	Latest prior 23 60 23.30 22.92 22.54 27.21	0ay's change +0.27 +0.28 +0.30 +0.33 +0.39	High 23 84 23 49 23 08 22 69 22 26	23.36 23.03 22.63 22.27	Vol 74,793 18,897 8,446 4,331	Open frit 88,178 42,021 24,956 19,909 14,401
Jan Feb Mar Apr May Jun	Latest prior 23 60 23.30 22.92 22.54	Bay's change +0.27 +0.28 +0.30 +0.33	High 23 64 23 49 23 08 22 69	23.36 23.03 22.63 22.27 21.99 21.60	Vol 74,793 18,897 8,446 4,331 2,118 1,725	Open frst 88,178 42,021 24,956 19,909 14,401 27,171
Jan Feb Har Apr Hay Jun Total	Latest price 23 60 23.30 22.92 22.54 21.78	0.27's change +0.27 +0.28 +0.30 +0.33 +0.35	High 23 84 23 49 23 08 22 69 22 26 21 92	23.36 23.03 22.63 22.27 21.99 21.60	Vol 74,793 18,897 8,446 4,331	Open frst 88,178 42,021 24,956 19,909 14,401 27,171
Jan Feb Mar Apr May Jun	Latest price 23 60 23.30 22.92 22.54 21.78	0.27's change +0.27 +0.28 +0.30 +0.33 +0.35	High 23 84 23 49 23 08 22 69 22 26 21 92	23.36 23.03 22.63 22.27 21.99 21.60	Vol 74,793 18,897 8,446 4,331 2,118 1,725	Open frst 88,178 42,021 24,956 19,909 14,401 27,171
Jan Feb Har Apr Hay Jun Total	IDE Off Latest price 23 60 23 30 22 92 22 54 22 21 21.76 IDE Off Latest	0ay's change +0.27 +0.28 +0.30 +0.33 +0.35 L. IPE (C. Day's	High 23 49 23 49 23 08 22 69 22 26 21 92	23.36 23.03 22.63 22.27 21.99 21.60	Vol. 74,793 18,897 5,446 4,331 2,118 1,725 153,043	Open (nt 88,178 42,021 24,956 19,909 14,401 27,171 373,327
Jan Feb Har Agr Hay Jun Total	JDE Off Latest price 23 50 23 30 22 92 22 54 22 21 21 78 JDE Off Latest price	0ay's change +0.27 +0.28 +0.30 +0.33 +0.35 t. IPE ()	High 23 49 23 49 23 08 27 69 22 26 31 92 S/barrel	23.36 23.03 22.63 22.27 21.99 21.60	Voi 74,793 18,897 5,446 4,331 2,118 1,725 153,043	Open (nt 88,178 42,021 24,956 19,909 14,401 27,171 373,322
Jan Feb Har Agr Hay Jun Total	JDE Off Latest price 23 50 23 30 22 92 22 54 21 21 21 78 JDE Off Latest price 22 95	Bay's change +0.27 +0.28 +0.30 +0.33 +0.35 L IPE (3 Day's change +0.41	High 23 84 23 49 23 08 22 26 21 92 3/barrel	23.36 23.03 22.63 22.27 21.99 21.60	Vol. 74,793 18,897 5,446 4,331 2,118 1,725 153,043	Open (nt 88, 176 42,021 24,956 19,909 14,401 27,171 373,322 Open bot 70,935
Jan Feb Har Agr Hay Jun Total H CRU	JDE Off Latest price 23.60 23.30 22.92 22.54 22.21 21.76 JDE Off Latest price 22.95 22.47	Bay's change +0.27 +0.28 +0.30 +0.33 +0.39 +0.35 Change +0.41 +0.47	High 23 49 23 49 23 08 22 26 21 92 3/barrel 18gh 23 07 22 55	Low 23.36 23.03 22.27 21.99 21.60 Low 22.76 22.30	Vol. 74,793 18,897 8,446 4,331 2,118 1,725 153,043	Open frat 88, 178 42,921 24,956 19,909 14,401 27,171 373,322 Open but 70,935 30,886
Jan Feb Har Apr Total E CRI Jan Feb Ster	JDE Off Latest price 23 60 23 30 22 92 22 54 21 78 JDE Off Latest price 22 95 22 47 21 98	Bay's change +0.27 +0.28 +0.30 +0.33 +0.35 Change +0.40 +0.47 +0.47 +0.48	High 23 49 23 69 22 69 22 26 31 92 3/barrel 23 07 22 55 22 01	Low 23.36 23.03 22.27 21.99 21.60 Low 22.76 22.30 21.82	Vol. 74,793 18,897 8,446 4,331 2,118 1,725 153,043 Vol. 16,372 5,843 2,848	Open frat 88,178 42,921 24,956 19,909 14,401 27,171 373,322 Open but 70,935 30,883 28,117
Jan. Feb Harr Apr Total El CRI. Jan Total Apr Apr	JDE Off priori 23.60 23.30 22.92 22.54 22.21 21.78 JDE Off Latest price 22.95 22.47 21.78 21.78	Bay's change +0.27 +0.28 +0.30 +0.33 +0.35 L IPE (2 Day's change +0.41 +0.44 +0.30 +0.30	High 23 49 23 49 23 69 22 69 21 92 3/barrel 18gh 23.07 22.55 22.01 21.48	Low 23.36 22.63 22.63 21.60 21.60 Low 22.76 22.30 21.80 21.30	Vol. 74,793 18,897 5,446 4,331 2,118 1,725 153,043 16,372 5,843 2,848 1,441	Open (nt 88,178 42,021 24,956 19,909 14,401 27,171 70,933 29,817 10,753
Jan CRU Jan Total E CRU Jan Total E CRU Jan Apr May May	JDE Off prices 23 50 23 30 22 92 22 54 22 21 21 78 JDE Off Latest prices 22 95 22 47 21 98 21 30 20 81	Bay's change +0.27 +0.28 +0.30 +0.35 +0.35 Change +0.41 +0.47 +0.48 +0.36 +0.36	High 23 49 23 08 27 69 22 26 21 92 3/barrel 23 07 22 55 22 51 21 48 20 95	Law 23.36 22.27 21.99 21.60 21.76 22.30 21.30 20.81	Vol. 74,793 18,897 8,446 4,331 2,118 1,725 153,043 1,6372 5,843 2,844 1,441 806	Open (nt 88,178 42,021 24,956 19,909 14,401 27,171 373,322 Open (st 70,935 30,837 29,176 753 5,787
Jan. Feb Harr Apr Total El CRI. Jan Total Apr Apr	JDE Off priori 23.60 23.30 22.92 22.54 22.21 21.78 JDE Off Latest price 22.95 22.47 21.78 21.78	Bay's change +0.27 +0.28 +0.30 +0.33 +0.35 L IPE (2 Day's change +0.41 +0.44 +0.30 +0.30	High 23 49 23 08 27,69 21 92 3/barrel 23,07 22,55 21,48 20,95	Low 23.36 22.63 22.63 21.60 21.60 Low 22.76 22.30 21.80 21.30	Vol. 74,793 18,897 8,446 4,331 2,118 1,725 153,043 2,848 1,441 806 775	Open frat 88,178 42,021 24,956 19,909 14,401 14,401 27,171 373,327 Open bot 70,935 30,889 28,117 10,753 5,787 11,496
Jan Feb Blar Apr Brown Jun Total Jan Total Jan Total	IDE Off Latest price 23.50 22.92 22.54 22.21 21.78 IDE Off Latest price 22.95 24.77 21.98 21.30 20.81 20.48	Day's change +0.27 +0.28 +0.30 +0.33 +0.35 Day's change +0.41 +0.47 +0.48 +0.30 +0.46	High 23 49 23 49 23 08 22 26 22 26 21 92 3/barrel 23 07 22 55 22 01 21 48 20 95 20 95	Low 23.36 23.63 22.27 21.99 21.90 27.66 22.30 21.82 21.83 20.36	Vol. 74,793 18,897 5,446 4,331 2,118 1,725 153,043 16,372 5,843 2,848 1,441 806 775 no.	Open (ng 88, 176 42,021 24,956 19,909 14,401 27,171 373,322 Open but 70,935 30,889 28,117 10,757 11,496 mm
Jan Feb Blar Agr Blay Jun Total Jan Feb Blar Apr Blay Jun Total Harr Feb Blar Apr Feb Blar Apr Jun	IDE Off Latest price 23 60 23 30 22 92 22 54 22 21 21 78 IDE Off Latest price 22 95 22 47 21 98 21 30 20 81 20 45	Bay's Change +0.27 +0.28 +0.30 +0.35 +0.35 +0.35 +0.47 +0.47 +0.43 +0.36 +0.46	High 23 49 23 49 23 08 22 26 22 26 21 92 3/barrel 23 07 22 55 22 01 21 48 20 95 20 95	Low 23.36 23.63 22.27 21.99 21.90 27.66 22.30 21.82 21.83 20.36	Vol. 74,793 18,897 5,446 4,331 2,118 1,725 153,043 16,372 5,843 2,848 1,441 806 775 no.	Open (nt 88,178 42,021 24,909 14,401 27,171 373,322 Open bot 70,935 30,889 28,117 15,787 11,496
Jan Feb Blar Apr Brown Jun Total Jan Total Jan Total	IDE Oil Latest price 23 50 23 30 22 92 22 54 22 21 21.78 IDE Oil Latest price 22 95 22 47 23 95 21 30 20 81 20 48 Tring C	Day's Change + 0.27 + 0.28 + 0.30 + 0.35 + 0.35 + 0.40 + 0.41 + 0	High 23 49 23 49 23 69 22 26 21 92 3/barrel 23.07 22.55 22.01 21.48 20.59 20.59 20.59	Low 23.36 73.03 72.27 72.27 72.80 72.76 72.30 72.30 72.36 72.30 72.36 72	Vot 74,793 18,897 8,448 4,331 2,118 1,725 153,043 2,848 1,441 808 775 ms c/U	Open frst 88,178 42,021 24,969 14,401 27,171 373,327 Open bst 70,935 30,885 30,885 31,773 10,753 5,787 11,496 ms 5 galls 1
Jan CRI Lam Feb Blar Agr Total Jan Total Blar HEA	DE Oil Latest price 21 50 22.30 22.54 22.21 21.78 IDE Oil Latest price 22.95 22.47 22.47 22.47 22.47 20.81 20.81 20.48 Tring C Latest price price price price	Bay's change +0.27 +0.28 +0.33 +0.35 +0.35 change +0.41 +0.47 +0.43 +0.36 +0.4	High 23 49 22 49 22 56 22 26 21 92 22 55 22 50 21 48 20 35 20 50 186 42 00 1	23.36 73.03 72.63 72.60 71.93 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60 71.60	Vol. 74,793 18,897 8,446 4,433 1,725 153,043 1,441 806 775 nm 1,441 c.cl	Open (nt 88, 178 42, 021 24, 956 19, 909 14, 401 27, 171 373, 322 Open but 70, 935 30, 985 28, 117 10, 753 5, 787 11, 496 5 galls 1 Open but
Jan Feb Harr Apr Jun Total Jan Feb Harr Apr Jun Total Jan Total Jan Total Bit HEA	DE OR Litest price 21.60 23.30 22.54 22.21 21.78 DE OR Litest price 22.47 21.98 21.30 20.48 20.4	NYMM 2017 8 10 10 10 10 10 10 10 10 10 10 10 10 10	High 73 84 23 49 22 64 22 65 22 65 22 56 2	23.36 73.03 22.27 71.93 21.60 0 12.76 22.30 21.87 21.30 20.81 20.36 0.0 us g	Vol. 74,793 18,897 18,897 18,898 1,725 1,725 5,843 2,848 1,806 775 m.c. Uvol. Vol. 25,814	Open (nt 88,178 88,178 88,178 88,178 12,4956 19,909 14,401 14,777 1373,322 Open but 5,787 11,496 ma 5 galls.)
Jan Feb Har Apr Har Total Har Apr Har Total Har Apr Har Total Har Apr Har Apr Jun Total Har Apr Jun To	IDE Oil Latest prior 23 60 22.92 22.54 21.78 IDE Oil Latest 22.95 22.47 21.78 20.81 20.81 20.45 Charlest price price 7:215 7:215	8ay's change +0.27 +0.28 +0.30 +0.33 +0.39 +0.35 change +0.47 +0.48 +0.30 +0.46 +0.47 +0.48 +0.30 +0.36 +0.46 +0.47 +0.48 +0.30 +0.36 +0.46 +0.47 +0.48 +0.30 +0.36 +0.46 +0.47 +0.48 +0.30 +0.46 +0.48 +0.30 +0.36 +0.46 +0.48 +0.30 +0.46 +0.48 +0.30 +0.46 +0.48 +0.4	High 23 84 22 49 22 24 92 22 24 92 22 25 57 22 25 19 22 25 25 25 25 25 25 25 25 25 25 25 25	23.36 73.03 73.03 22.27 71.99 21.60 0 22.76 22.30 21.82 21.30 20.36 00.05 g	Vol. 74.793 18.897 18.446 4.331 2.118 2.118 16.372 5.843 1.441 806	Gpm fnt 88,176 42,021 24,956 19,909 14,401 573,327 Cpm het 70,935 51,177 10,753 71,175 51,496 m 65 gala 1 Gpen int 41,303 64,877 41,303
SE CRIL Jan Feb Herr Apr Jen Total Jan Tot	DE Oil Latest prior 23 60 22.32 22.54 22.21 21.78 DE Oil Latest prior 22.95 22.47 21.98 22.47 21.98 20.48 TING C Latest prior 72.60 Latest prior 72.60 72.60 72.61 72.02	NYMM 2017 10 27 10 27 10 27 10 27 10 28 10 27 10 27 10 28 10	High 73 84 23 49 22 64 22 65 22 65 22 56 2	Low 23.36 73.03 22.27 21.99 21.60 22.76 21.30 20.81 20.36 Low 77.95 29.35	Vol. 74.793 18.897 74.793 18.897 18.897 18.494 4.331 1.725 5.843 1.725 5.843 1.441 806 775 ntl 18.441 806 775 7.794 7.794	Gpm fnt 89,176 42,021 24,956 19,909 1
SE CRIL Lan Feb Mar Apr Alter Alter Apr Alter Apr Apr Apr Apr Apr Apr Apr Apr Apr Ap	DE Oil Latest prior 21 60 22 32 32 22 32 22 32 22 31 78 DE Oil Latest prior 22 95 21 30 30 31 30 45 72 60 66 65 70 20 66 65 65 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 60 60 60 60 60 60 60 60 60 60 60	NYM Day's change +0.27 +0.23 +0.33 +0.35 +0.35 +0.35 +0.35 change +0.46 +0.47 +0.48 +0.46	High 23 49 23 68 22 68 27 92 27 93 27 92 27 93 27 92 27 93 27 92 27 93 27 93 93 93 93 93 93 93 93 93 93 93 93 93	23.36 22.63 22.27 23.09 21.60 22.76 22.30 21.60 21.60 21.60 20.81 20.36 20.81 20.36 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81	Vol. 74.753 18.897 18.446 4.331 1.725 153.043 16.372 5.843 2.848 606 775 60 60 60 60 60 60 60 60 60 60 60 60 60	Gpm fnt 88,176 42,021 24,956 19,909 14,401 573,327 Cpm het 70,935 51,177 10,753 71,175 51,496 m 65 gala 1 Gpen int 41,303 64,877 41,303
SE CRIL Jan Feb Mer Feb Mer Fotal Jan Total Jan Tota	IDE OR Lineat price 23 60 22.92 22.92 22.92 22.92 22.93 20.9	NYM Day's change +0.27 +0.23 +0.33 +0.35 +0.35 +0.35 +0.35 change +0.46 +0.47 +0.48 +0.46	High 23 49 22 49 22 25 5/0arrel 22 25 5/0arrel 22 25 5/05 20 5/0	Low 23.36 3.22.37 21.93 21.60 0 12.76 22.30 21.82 21.80 1.90 1.90 1.90 1.90 1.90 1.90 1.90 1.9	Vol. 74.793 8.446 4.331 2.118 97 1.775 153.043 1.441 1.775 8.441 1.441 20.170 Vol. 77.794 20.170 7.724 24.47	Gpm (nt 88,178 42,027 24,956 19,909 1
SE CRIL Lan Feb Mar Apr Alter Alter Apr Alter Apr Apr Apr Apr Apr Apr Apr Apr Apr Ap	DE Oil Latest prior 21 60 22 32 32 22 32 22 32 22 31 78 DE Oil Latest prior 22 95 21 30 30 31 30 45 72 60 66 65 70 20 66 65 65 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 62 60 60 60 60 60 60 60 60 60 60 60 60 60	NYM Day's change +0.27 +0.23 +0.33 +0.35 +0.35 +0.35 +0.35 change +0.46 +0.47 +0.48 +0.46	High 23 49 23 68 22 68 27 92 27 93 27 92 27 93 27 92 27 93 27 92 27 93 27 93 93 93 93 93 93 93 93 93 93 93 93 93	23.36 22.63 22.27 23.09 21.60 22.76 22.30 21.60 21.60 21.60 20.81 20.36 20.81 20.36 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81	Vol. 74.753 18.897 18.446 4.331 1.725 153.043 16.372 5.843 2.848 606 775 60 60 60 60 60 60 60 60 60 60 60 60 60	Gpm (nt 88,178 42,021 24,956 19,909 19,707 19,707 19,707 19,707 19,707 19,707 11,496 1
SE CRIL Jan Feb Mer Feb Mer Fotal Jan Total Jan Tota	IDE OII Latest prior 2160 2160 2292 22.54 21.78 IDE OII Latest prior 22.95 21.79 21.78 21.	NYMM 2017 3 Change 40.27 40.28 40.30 40.33 40.33 40.35 40.36	High 73 84 92 34 98 22 68 71 92 23 07 72 22 11 48 23 07 73 73 00 73 73 00 73 73 00 62 95 90 20	23.36 22.63 22.27 23.09 21.60 22.76 22.30 21.60 21.60 21.60 20.81 20.36 20.81 20.36 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81 20.36 20.80 20.81	Vol. 74.793 18.897 18.446 4,331 17.75 153.043 17.75 153.043 17.75 153.043 1.775 153.043 1.775 153.043 1.775	Gpm (nt 88,178 42,021 24,956 19,909 19,707 19,707 19,707 19,707 19,707 19,707 11,496 1

•	70.20	40.77	70.75	99 35	7,794	18,006
er -	66 65	+0.12	87.00	66 00	2,487	10,573
	62 60	+0.67	62.95	62.00	1,973	6.895
ey .	60.20	+1 07	60.20	59.50	235	3.322
tal.					C1.183	131,471
GA	S OIL F	E (\$/TON	ne)			
	Sett	Day's				Open
	price	change	Nigh	Low	Yal	int
SC	219.00	-4.75	220.75	217.75	11,014	23,059
m	217 00	-3.75	218.25	215.00	T.984	29,169
di di	210.50	-3.00	211.25	209.50	1.931	10.298
Br	202.25	-2.25	203.00	202.00		
×		-2.00			391	
ay .	189.00	-1.75	189.25	188.25	281	
and a					23,354	46,864
NA	TURAL	GAS N	NVEX (1	0.000 m		
	Letest	Day's				Open
	price	change	High	LOW	Yel	let
C	3 471	-0.156	3.850	3 450	58,062	29,785
П	3,160	-0.104	3.450			41,349
b		-0.085				18.145
-		-0.050	2670	2.450		11,828
		-0.060	2.295	2 185		6.993
				_ 100	.,	4

66 10 +071 86.80 65.00 15,448 19,896 64 40 +051 84.90 63.65 7,002 20,118 64.15 +0.49 64.40 63.90 5.155 8,025 64.45 +0.59 64.60 64.15 1.917 4,281 66.20 +0.59 66.40 66.15 203 3.216

2100 -0.045 2160 2100 671 5.992

WHEAT LIFFE (C per torne)

H ort	95,75	+1.40		-		. 53
Jan	97.50			98.25		2,002
Mar	99.50			96.00		
May	100.75			89.50		
Jel				101.25		
MOY	95.70	-	95.70	98.85		597
Total					751	7,020
M W	HEAT CE	T (5,0	DODU m	in; cont	√60 b l	(leftur
Dec	408.25	-5	421.00	407.50	8415	14,500
Mar.	388.50			368.00		
May	360.50			358.00		
Jel	343.50	-25	348.50	342.00	1,433	12,926
Seg	346.00			345.00		380
Dac	357.00			355.00		186
Total					21,01	
	ALZE CET	(5.00a) bu mi	re cent		
Dec	273.50	_		259.50		_
Mec.	272.50			271.00		
May				275.75		
74	270 50	41 5		217.75		
500	274.25	T1.3		274.00		
Dec	273.75	41 5		272.75		
Total	2/3/7	41.0	242	223		26,80
	RLEY U	HE C	per to	tine)	41,7.10	
Nov		-0.50	_	_	36	246
Jan						
	63.41					
Mar	93.50	-		94.50		
Mar	94.50	-	94.50	94.50	25	234
May	94.50 96.00	-			25 1	234 123
May Sop	94.50 96.00 92.70	-	94.50		25 1 -	234 123
May	94.50 96.00	-	94.50		25 1 -	234 123 1
Sep Sep Nov Total	94.50 96.00 92.70 94.70	+0.50	94.50 96.00	95.00	25 1 - 128	234 123 1 107 1,461
Sep Nov Total E SC	94.50 96.00 92.70 94.70 PABEAL	+0.50 -	94.50 96.00	95.00 - u ana; ca	25 1 - 128 sts/500	234 123 T 107 1,461 Suckel)
May Sep Nov Total III SC	94.50 96.00 92.70 94.70 DYABEAI 706.00	+0.50 - NS CST	94.50 96.00 - (5,000b	95.00 # 896; CI	25 1 - 128 mb/500 34,545	234 123 1 107 1,461 9edici)
May Sep Nov Total IE SC Jan Mar	94.50 96.00 92.70 94.70 TYABEAI 706.00 705.75	+0.50 - NS CST -1 -1.25	94.50 86.00 5,000b 712.00 712.00	95.00 	25 1 128 128 128 34,545 6,155	234 123 1 107 1,461 beshell 72,549 36,063
May Sep Nov Total IB SC Jan Mar May	94.50 96.00 92.70 94.70 706.00 705.75 707.50	+0.50 -1 -1.25 -0.75	94.50 86.00 712.00 712.00 713.00	95.00 703.00 703.00 705.00	25 1 - 128 sts/500 34,545 6,155 1,849	234 123 1 107 1,461 9edici) 72,549 36,063 19,126
Sep Roy Total IE SC Jan Mar Mar Mary Jul	94.50 96.00 92.70 94.70 PYABEAN 706.00 765.75 707.50 709.25	+0.50 -1 -1.25 -0.75 -0.75	94.50 96.00 712.00 712.00 713.00 715.00	95.00 703.00 703.00 705.00 707.50	25 1 128 128 128 34,545 6,155 1,849 2,546	234 123 1 107 1,461 \$eckel 72,549 36,063 19,126 16,122
May Sep Roy Total III SC Jan Mar May Jal Ang	94.50 96.00 92.70 94.70 PYABEAI 706.00 765.75 707.50 709.25 706.50	-1 -1.25 -0.75 -0.75 -0.75	94.50 96.00 712.00 712.00 713.00 715.00 712.00	95.00 703.00 703.00 705.00 707.50 706.00	25 1 128 128 128 34,545 6,155 1,849 2,546 98	234 123 1 107 1,461 9e8d) 72,549 36,063 19,126 16,122 2,343
Hay Sep Hov Total IE SC Jan Har Hay Jai	94.50 96.00 92.70 94.70 PYABEAN 706.00 765.75 707.50 709.25	-1 -1.25 -0.75 -0.75 -0.75	94.50 96.00 712.00 712.00 713.00 715.00 712.00	95.00 703.00 703.00 705.00 707.50	25 1 128 128 128 34,545 6,155 1,849 2,546 90 12	234 123 1 107 1,461 9484) 72,549 36,083 19,126 16,122 2,343 309
May Sep Nov Total III SC Jan Mar May Jul Ang Sep Total	94.50 96.00 92.70 94.70 PYABEAI 706.00 765.75 707.50 709.25 706.50	-1 -1.25 -0.75 -0.75 -2 -3	94.50 96.00 712.00 712.00 713.00 715.00 712.00 695.00	95.00 	25 1 128 128 128 34,545 6,155 1,849 2,546 90 12 48,100	234 123 1 107 1,461 9each 72,549 36,063 19,126 16,122 2,343 309 156,336
May Sep Roy Total III SC Jan Mar May Jan Ang Sep Total III SC	94.50 96.00 92.70 94.70 0YABEAI 706.00 705.75 707.50 709.25 706.50 690.00	+0.50 -1 -1.25 -0.75 -0.75 -2 -3	94.50 96.00 712.00 712.00 713.00 713.00 713.00 695.00 CBT (6	95.00 703.00 703.00 705.00 707.90 707.90 706.00 663.00	25 1 - 128 34,545 6,155 1,849 2,546 90 12 45,103	234 123 1 107 1,461 72,549 36,063 19,126 16,122 2,343 309 156,338 15/,338
May Sep Roy Total III SC Jan Mar May Jul Ang Sep Total III SC Dec	94.50 96.00 92.70 94.70 774.8EAI 705.00 705.75 707.92 706.50 690.00 748.EAI	+0.50 -1 -1.25 -0.75 -0.75 -2 -3 -0.76	94.50 96.00 712.00 712.00 713.00 713.00 715.00 712.00 695.00 CBT (6	95.00 703.00 703.00 705.00 707.50 707.50 663.00 0,000%	25 1 - 128 34,546 6,155 1,849 2,546 98 12 48,103 85 Cent	234 123 1 107 1,461 9ealet 72,549 36,063 19,126 2,343 309 156,128 (5/80) 20,285
May Sep Mov Total IE SC Jan May Jal Ang Sep Total IE SC Jan	94.50 96.00 92.70 94.70 94.70 705.75 707.90 709.25 706.50 690.00 748.EAI	-1 -1.25 -0.75 -0.75 -0.75 -2 -3 -0.08 -0.00	94.50 96.00 712.00 712.00 713.00	95.00 703.00 705.00 705.00 705.00 705.00 663.00 0,000%	25 1 - 128 34,545 6,155 1,849 2,546 90 12 48,103 85 GBml 4,507 8,172	234 123 1 107 1,461 5echol 72,549 36,063 19,125 2,343 309 156,325 15,125 2,343 309 256,325 25,325 22,354
Stay Stay How Total IE SC Jan Har Har Har Stay Jal Ang Sup Total III SC Jan Har Har	94.50 96.00 92.70 94.70 07ABEAI 706.00 705.75 707.50 706.50 650.00 07ABEAI 21.29 23.29 23.51	-1 -1.25 -0.75 -0.75 -0.75 -2 -3 -0.08 -0.00 -0.1	94.50 96.00 712.00 712.00 713.00 713.00 713.00 695.00 CBT (6 23.60 23.85 24.20	95.00 - 703.00 705.00 705.00 705.00 663.00 0,000%	25 1 - 128 sth/500 34,545 6,155 1,849 2,546 98 12 48,103 85 Celeri 4,507 8,172 2,117	234 123 1 1,461 1,461 72,549 36,063 19,126 2,343 309 256,335 25,235 22,354 20,764
May Sep Nov Total IE SC Jan May Jul Ang Sep Total IE SC Jan Dec Jan	94.50 96.00 92.70 94.70 07ABEAI 706.00 705.75 707.50 706.50 650.00 07ABEAI 21.29 23.29 23.51	-1 -1.25 -0.75 -0.75 -0.75 -2 -3 -0.08 -0.00	94.50 96.00 712.00 712.00 713.00 713.00 713.00 695.00 CBT (6 23.60 23.85 24.20	95.00 703.00 705.00 705.00 705.00 663.00 0,000% 23.25 23.51 23.88 24.10	25 1 - 128 105,760 34,545 6,155 1,849 2,546 90 12 48,103 85, 087 4,507 8,172 2,117 1,138	234 123 1 1,461 1,461 72,549 36,063 19,126 2,343 309 256,335 25,235 22,354 20,764

SO	YABEA	OT	CBT (G	0,000%	S. COT	(3/10)	
96	23.29	-0.06	23 80	22.25	4,507	28.236	
NT .	23.57	-0.00	23.85	23.51	6,172	22,354	
	23.91	-0.1	24.20	23.83	2,117	20,784	
-y	24.10	-0.14	24.50	24 10	1,138	11,170	
4	24,47	-0.06	24.72	24.45	1,052	6,163	
70	24,50	-0.06	24.70	24 50		1,565	
					15,169	98,964	
SQ	YABEA	N MEA	r cal	(100 k	one: \$/1	(not	
10	238.2	-1.8	241.3	237.7	14,502	28,400	
LTI.	229.2	-0.9			10,073		
w	223.5	-0.4	226.0	222.5	3,443	21,135	
27	220.2	-	222.0	219.3	1,884	10,847	
4	220.1	+0.1	222.0	219.7	1,768	7,917	
	2193	+0.3	221.5	210.0	49	1,896	
					31,945	92,344	
	TATOE	LIFFE	(E/kon	ne)	31,945	92,344	
	TATOE:	UFFE	(E/Ron	ne)	21,945	92,344	
PC			(E/kon		-	1,287	
PO	580	-	_		-	_	
PC	58 0 64.0	+0.9	65.0	94.0	101	1,287	
PO	58 0 64.0 70.0	+0.9	65.0	94.0	101	1,287	
PO	58 0 64.0 70.0 80.0	+0.9 -3.0 -3.0	65.0 67.9	94.0 67.0	107	1,287	
PC ST	58 0 64.0 70.0 80.0	+0.9	65.0 67.9 115.0	94.0 67.0 115.0	107 3 - 5	1,287 17 36 1,342	
PC ST	58 0 64.0 70.0 80.0 715.0	+0.9	65.0 67.9 115.0	94.0 67.0 115.0	107 3 6 110 Index p	1,287 17 36 1,342	
PO'	58 0 64.0 70.0 80.0 115.0	+0.9 -3.0 -3.0	65.0 67.9 115.0	94.0 67.0 115.0	107 3 6 110 Index p	1,287 17 36 1,342 oknt)	
PO'	58 0 64.0 70.0 80.0 115.0 BIGHT (+0.9 -3.0 -3.0	65.0 67.9 115.0 LIFFE 1420 1338	94.0 67.0 115.0 (\$10.4	107 3 5 110 index p	1,287 17 36 1,342 obrit)	
PO'	58 0 64.0 70.0 80.0 115.0 1420 1335 1308	+0.9 -3.0 -3.0 -3.0 +10 +18	65.0 67.9 115.0 115.0 1420 1336 1315	94.0 67.0 115.0 (\$10.4 1415 1325 1292	101 3 5 110 110 112 74	1,287 17 36 1,342 colrit) 337 431	
PO'	58 0 64.0 70.0 80.0 115.0 BIGHT (+0.9 -3.0 -3.0 -3.0	65.0 67.9 115.0 115.0 1420 1336 1315	94.0 67.0 115.0 (\$10.4 1415 1325	107 3 5 110 index p	1,287 17 36 1,342 cdrd) 337 431 1,912 789	

All futures data supplied by CMS.

Wadi
Prices paid for wool at auctions wherever
they are held continue to fluctuate within
very narrow limits. Currency changes can
quite easily offset a rise or fall. Sterling
strangth is a worrying feature for some UK
traders, making experting more difficult
and injecting additional uncertainty where
confidence is already difficult to establish.
But other currencies move too, and this
week the Australian dollar appreciated
against the US dollar, raising prices for
many users in a market otherwise holding
steady. The Eastern Indicator in Australia
closed just 1 cent up on the week at 567
cents. The New Zeeland market Indicator
was 4 cents down at 457.

E COCOA LIFFE E/torre

	2,038	,	961	-1	960	959	105	12,25
3	298	Sep	975	4	-	-	-	7,17
5	597	Dec	390	-2	933	888	145	5,50
1	7,020	Total					2,881	122,34
b	ahei)	# COC	OA CSC	Æ (10	pormes	: Shor	nes)	
5 1	4,502	Dec	1350	+10	1358	1336	82	53
	25,726	Mar	1397	43	1404	1388	7,711	42,84
2	3,956	May	1419	+3	1424	1412	814	9,88
3 1	2,926	Jal .	1435	+3	1438	1430	204	7.41
2	380	Seg	1450	+3	1456	1450	420	8,50
1	186	Dec	1488	+3	1474	1474	47	85
	56,767	Total					9,758	76,04
bu	shell	M COC	OA DOC	Of ISO	R's/kx	T-0)		
9 8	2,140	Her 26			Pri	CO .	P	TW. d
711	6,573	Daily			. 1022.3	11	•	1010.7
1 4	15,371							
	3,316	E COF	THE LIFE	EGA	orne)			
		Xov	1565	+21	1570	1555	257	1,77
	2.257)==	1430	-19	1445		1,547	17,97
3	26,800	No.	1375	-14	1365	1370	811	9,62
		May	1360	-12	1259	1355	523	4,80
5	246	Jul	1352	-13	1363	1345	728	BS
	240	-	1332	-13	1353	1373	-	634
5	750	See	1347	-18	1352	1343	172	34

	1352	-13	1363	1345	Z 3	852
	1347	-18	1252	1343	172	340
					1,727	35.75
CO	FFEE 'C'	CSCE	(37,50	Ofbe; c	erita/i	bst
6	117.25	-3.50	120,50	117.10	457	1,999
LT.	105.85	-425	112,50	106.60	4,115	15,027
y	105.40	-3.55	109.25	106.00	580	5.149
ľ	105.15	-3.45	106.50	105.00	53	1,147
	104.00	-3.05	106,00	104.50	10	823
	102.50	-1.05	104,50	T04.10	7	414
					5.218	27,840
00	FFEE (IC	O) (US	conts/	pound)		
v 20	1				P	ty. de
Ep. d	· ·		97 .	A7		87.4
	- eggrava					96.0
WH	ITE SUG	AR LIF	FE (S/	conne)		
C				304.5		
	301.8	-21	305.2	307.0	1.514	14.885

			2125		_	***
Dec	310.5	+6.0	313.5			
	301.8	-21				14,888
7	302.6	-1.5		302.8		4,918
Acq	3028	-1,8		303.5		2,307
Oct	298.2	-1.8				1,303
Dec	295.5	-0.6	299.0	299.0		
Total						24,339
E SUG	AR 71	CSCE	(112,0	corbs;	cents	(ECF)
Mar.	10.59	-0.09	10,88	10.57	7,029	78,515
Nay .	10.55	-0.05	10.71	10.64	1,188	39,574
Jul	10.59	-0.04	10.63	70.59	1,309	20,441
Oct	10.60	-0.04	10.54	10.59	690	12,533
Mor	10.61	-0.04	10,85	10.51	121	3.839
May	10.61	-0.04	10,65	10.63	40	812
Total					10,375	145,411
E COT	TON N	YCE (50	1,0001	E; CETT	(ad1\z	
Dec	74.33	+1.98	74.80	71.80	4.766	7,204
Mar	74.23	_	75.90			ZZ.450
May	75.57	-	71.00	79.12	993	0,987
34	75.47	-	77.40	76.00	337	8,837
Oct	76.70	_	76.90	75.50	13	1,263
Dec	75.74	_	77.05	76.30	448	5,955
Total						64,380

z	76.70	_	76.90	76.50	13	1,2
C	75.74	-	T7.05			
					12,169	
OR	ANGE J	JCE N	ACE (I	5,000fb	er con	s/b
	96.55	-0.05	98.25	95.30	1,907	12.8
	99,50	-0.10	100.90	99.25	817	5.9
7)	102.00	-0.30	103.10	102.90	112	26
1	105.25	+0.05	105,70	105,25	48	6
	107.20	-0.30	-	-	-	2
m	106.20	-0.30	-	-	-	
					2,035	24,3

VOLUME DATA Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are

,				
	INDICE		9/31 = 100j	
ļ	Nov 21 1829.0		month 200 1384.5	
ŀ	E CRE For	штеє (Ваз	× 1967 = 100)	
	Nov 20 248.19	245.51	month ago	Acm. no
1	GSCI S	ot Base:	1970 = 100)	
1	Nov 20 215.17	Nov 19 215.78	month ago 211.08	year 29 187,94

lotals are for all traded months.

MEAT AND LIVESTOCK

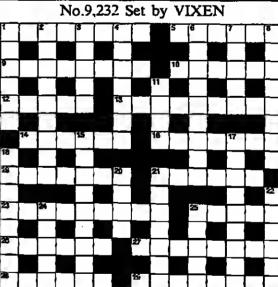
	Sett. Price		High	Long	Val	Open.
Dec	88,525	-0.750	67,200	68,300	0.064	29,563
Feb	63,300	-0.775	64,475	B3.200	2,704	24,34
lor	64,850	-0.750	66,575	64,825	2,265	17,18
Jens	83,825	-	B3.475	62,825	931	7,58
Amu	82,325	-	62,850	62,250	306	7,02
Det	64,890	-0.500	65,300	64,800	225	4,56
Total					15,581	91,27
	VE HOG	S CME	(40,000	Nos; ce	ma/los	5)
Dec	57.500	-0.725	57.850	58,900	6,209	12,420
Feb	76.275	-0.850	76,750	75.500	4,086	11,14
Apr	71.150	-0.500	71,800	70,700	889	4,545
Jes	74.275	-0.475	75.500	73.725	621	4,23
Jel	71.650	-0.800	72,000	71,400	70	1,390
Ame	55,175	-0.725	68.900	67.850		674
Total					11,836	35,417
# PC	RK BE	LIES (CME (40	,000tbe	c cont	s/lon)
Fets	73.950	-2.075	76.050	73.600	1,805	4.23
No.	73.300	-2.025	77.150	73,100	341	777
May	74.525	-1,175	76,800	73.450	167	502
Jel	75.235	-1.450	76.900	74.000	20	364
Agg	73.250	-1.550	74.800	74.900	5	57
Total					2,334	6.981

LONDON TRA	DE	D,O	PTI(ONS
Strike price \$ tonne	- C	6k —	- P	nts
M ALUMENTUM (99.7%) LARE	Jer		Jan	
1400		Apr 144	8	Apr 25
1500	44			61
1600	11	41	105	115
Grade A) LME	Jan	Apr	Jan	Apr
2150		140	54	139
2250	98	100	98	187
2350	58	69	158	264
COFFEE LIFFE	Jen	Mar	Jan	Mar
TR				
ne				
E COCCA LIFFE	Dec	Mar	Dec	Mar
na				
ne				
BRENT CRUCE		Feb	Jen	Feb
2200	115	128		
22:50	100		-	114
		80	69	-
LONDON SP	OT	MA	RKE	ETS
CRUDE OF POB (er be	rreit)		+Or-
Dubai		76-0.7		
Brant Bland (disted)	\$22	82-21 73-2.7	57 -	0.48
Brent Blend (Jan) W.T.J.	200	.73-2.7 47-3.5	5 4	1.565
M OIL PRODUCTS IN				
Premium Gasolne	52	24-226	3	-5
Gas Of	500	23-22		-5
Heavy Fuel Of		16-118		
Naphthe Jet fuel		25-227 48-250		-1 -5
Diesel		34-235		-9 -5
E NATURAL GAS PE			•	~
Sector (Dec)	17	75-8.0	0 4	725

Heavy Fuel Off	\$116-118	
Vaphthe	\$225-227	-1
Jet fuel	\$248-250	-5
Diegel B NATURAL GAS (Penc	\$234-235 a/therm)	-5
Section (Dec) Servicum Argus, 7st, Lanct B OTHER	17.75-8.00 n (0171) 369 8	+0.725 1792
Sold (per troy oziệ	\$376.25	-2.95
Stver (per troy cz)	487.50c	-8.0
Pletinum (per boy oz.)	\$383.50	-0.75
Pallacitum (per troy oz.)	\$11B.00	-0.50
Copper	107.0c	
end (US prod.)	45.00c	
In (Kuala Lumpur)	74.87r	+8.17
in (New York)	287.50	+5.0
Cattle (Rve weight)	108.52p	+3.98*
sheep (live weight)	130.12p	-6.45
igs (live weight)†	92.82p	+2.97
on day sugar (raw)	\$266,90	-0.20
on day sugar (who)	\$312.80	+1.80

Bartey (Eng. feed) Macre (US No3 Yellow) Wheat (US Dark North) Rubber (Dec)♥ Rubber (Jan)♥ Rubber (KL RSS No1) Coconut Oil (Philis \$7655.0 +10.0 +2.5 +5.0 eens (US) Cetton Outlook'A' India 3930 +3.0 C per tonne unless oth control or salvicom

CROSSWORD



 Dense foolish person admit-ting a point repeatedly (5-3) 5 Villains showing craft about temporary settle-

ment (6) 9 A churchman cited break given up (8) 10 Part after exchanging a quiet word (6)
12 Penal reform board (5) 18 Working relationship in

public (9) 14 A Gallic male to appreciate incomparable (6) 16 Suits for games (7) 19 First to get about a thousand in support (7)

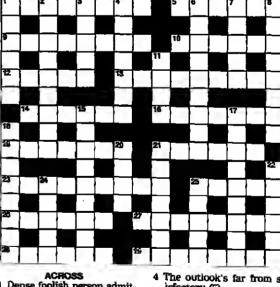
as a poison (6) 28 Apparent contempt for car with no gear-change (9) 25 The body politic say (5) 26 Foreigner needing assis-

tance going back into hotel 27 A letter written about deposited capital (6) 28 Taking a little sugar is hardly flashy (6)

1 Many a chemist provides

29 Misdirected, so It's believed

Regulation of the unit dividing military supplies (9) When no longer cold the

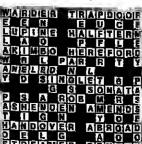


actory (7) 6 The eccentric with a part to 7 A New Zealander's aim of bent (51 8 Most austere holy men

keep a bird (8) 15 The gelatine is in a trans parent container (9)
17 A simple-minded healer (9) 18 Carol holds top place for

elocution (8) 20 Sound but self-interested people in co-operation (4) 21 Some reached Dartmoor in the West Country (7) 22 Guard tip after getting fed-up (6)

24 A man on horseback dellyered the queen's letters (5) 25 Being old, is quite possibly Solution 9,231



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Domestic

millers

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28 Offshore Funds and Insurances	* FT MANAGED	FUNDS SERVICE	
FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline I LUXEMBOURG SIB RECOGNISEDI		Their Saling Beying +or View Saling Beying +or The Georg Price Price Coss Price Price Cos	Court have interestional SICAV CM Ins Co Ltd/Clerical Mod See Life Court have the Court had a court had co
ARM AMBO Punds (u) Arm Novamberry Section Arm Novamberry Arm Nov	Property Property	Tords Sout Fi Europe A MECN 7 2957	Signate Defined
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15 15 15 15 15 15 15 15	in Consequent Section 1.00 A 200-20 (168-989) -1.993 1.41	SuperSaid Envestment Fund SICAY SuperSaid Envestment Fund SICAY SuperSaid Envestment Fund SICAY SuperSaid Envestment Fund SICAY SuperSaid Envis Envestment Envis Env	United Section 19
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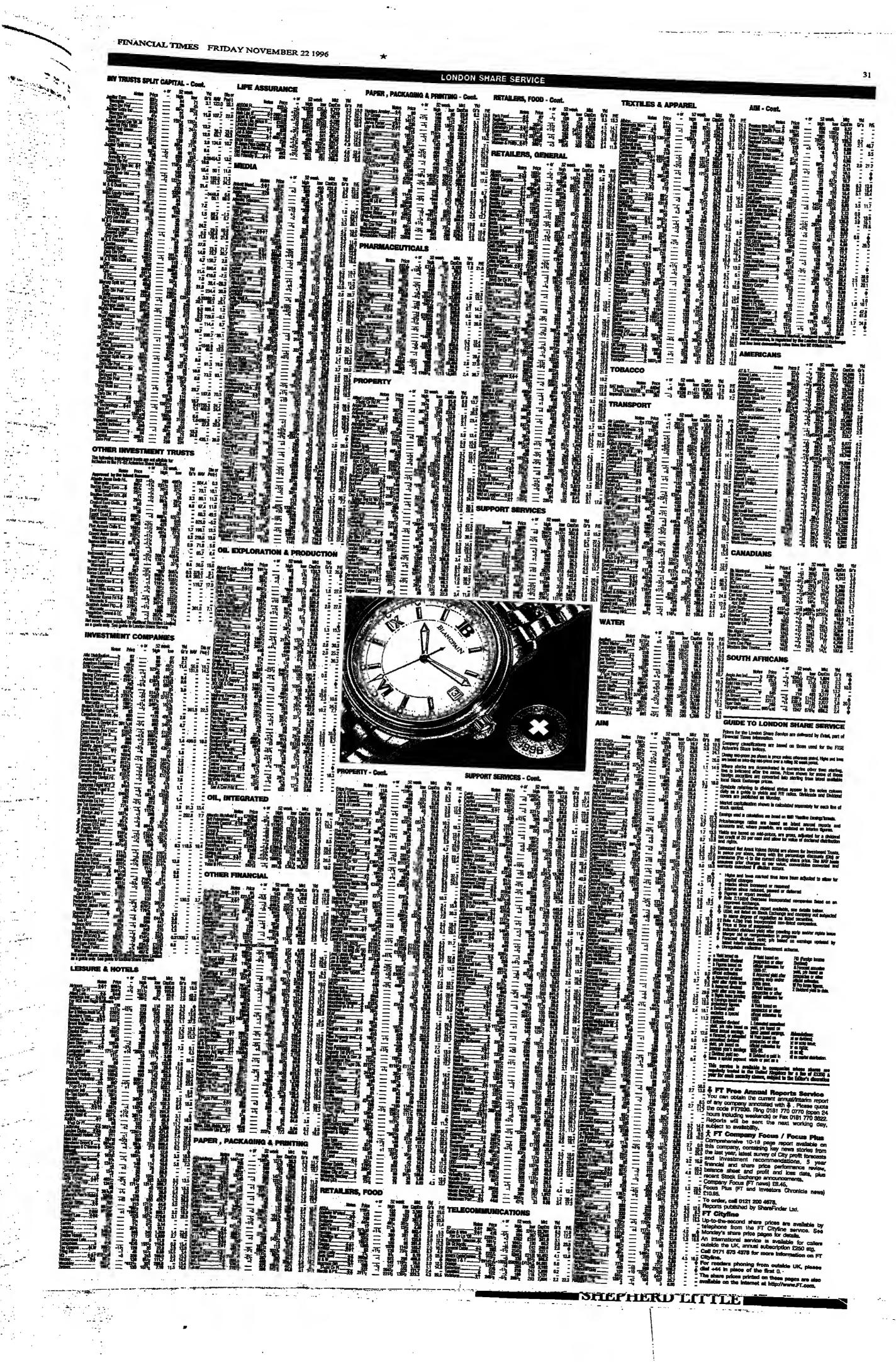
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SHEPHERD LITTLE



LONDON STOCK EXCHANGE

Firm gilts help to stabilise edgy equities

MARKETS REPORT

By Steve Thompson,

A strong performance by gilts provided something of a prop for the UK equity market, helping shares regain some of their earlier hefty losses yesterday.

But the market failed in its attempt to close higher on the day as investors and traders continued to worry about the possibility of more domestic interest rate rises and about next Tuesday's Budget.

Budget, although likely to £1.5bn to £2bn.

improve the chances of the reelection of a Conservative government, will be badly received by the gilt market. Any marked get is bound to have an impact at 2602 on equities, dealers said.

low levels of trading activity. Turnover at yesterday's 6pm caldepressed levels. Traders said they expected the minimal activity to continue until the Budget is out of the way.

The value of customer business There is a fear across the mar- on Wednesday was only £1.1bn, ket that a giveaway, tax-cutting way below the usual range of

The FTSE 100 index ended the session 9.0 off at 3,958.8, while the a subdued note, with Footsie again busy. FTSE 250 settled 3.2 easier at 4.397.0. The SmallCap held on to weakness in glits after the Bud- a minor gain, fmishing 0.4 ahead

There was some surprise in One feature was the continuing London's trading rooms at the UK market's stubborn refusal to mirror at least some of Wall culation came ont at a lowly, Street's recent big gains. The 746.5m shares, in line with recent / Dow Jones Industrial Average shot up 32 points on Wednesday. moving confidently past 6,400.

The Dow's strength was reinforced by another splendid showing by US Treasury bonds on Wednesday, when the yield on the 30-year issue fell to 6.4 per cent, its lowest level since March.

opening just over a point off. it then edged higher, reaching the day's best, up 3.2 within a few minutes, before slipping back. At the day's lowest ebb, after news

of a minor upward revision of third quarter gross domestic May flotation. product, the index was down 15.5. Footsie gradually clawed its more bad news for some of the way back to be virtually level as market's minnows, with profit Wall Street opened. The Dow warnings causing grievous damsoon dipped over 30 points, falling below 6,400, before stabilising

as London closed.

announced interim results.

was a shade easier at 134%p,

having risen more than 40

per cent since July.

Meanwhile, Yorkshire

Southern eased 2 to 6961/2p.

Electricity lifted 9% to 758%p

as rumours continued to cir-

culate that Entergy of the

US considers it a viable con-

solation prize after being

rebuffed by London Electric-

aulds fell 7 to 413p amid fur-

ther reaction to Wednesday's

"market performer" from

Mining group NSM turn-

loss and was in talks with its

Quadramatic, a manufac-

turer of coin handling equip-

"market outperformer".

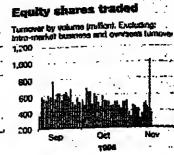
Individual features were few and far between. The generators British Gas, where the recant were prominent among Pootsie Shell takeover speculation conconstituents with National Power

London's trading day began on taking first place and PowerGen Dealers said Wednesday's

sell-off in the former had been overdone. And there was more local and overseas money being pumped into Railtrack, one of the market's star performers since its

On the downside, there was age to stocks such as NSM, the open cast coal mining group and Baldwins, the mini-conglomerate. The biggest Footsie loser was





Flectricity

dices and ratio	05		
SE 100 SE 250 SE 350 SE All-Share SE All-Share yield	3953.8 4397.0 1970.4 1945.10 3.85	-9.0 -3.2 -3.8 -3.47 3.85	FFTU

17.80 -5.0 TSE Non-Fins p/e 3977.0 Worst performing sectors

Gas Distribution Oil: integrated Telecommunications Pharmaceuticals

TRADING VOLUME

Vol Closing Day's 000s price change

Bid hint unsettles **Utd News**

By Peter John, Lisa Wood, Joel Kibazo and

News of funding for a possible acquisition hit United News & Media. The shares retraced 191/2 to 6771/2p following Wednesday's gains, which bad been prompted by an upbeat trading statement from Southnews, a local newspaper pub-

United is raising £180m through an issue of bonds. convertible into shares at a rate between 14 and 18 per cent above the mid-market share price to be set at any time up to yesterday's close. Kleinwort Benson was lead manager and book runner of the issue which was some 3.5 times oversubscribed.

Analysts saw the move as a disguised rights issue that could spark renewed speculation about further takeover activity. There are several options. The big bet was on a takeover of Westcountry Television, a privatelyowned group expected to command a price of between £75m and £85m. United said the move was merely restructuring a tranche of its £600m-plus of debts incurred after the merger with Blenbeim and acquisition of 20 per cent of HTV.

Sharas in Manchester United, the football club, were briefly marked down in margins and profits from

Juventus, the reigning Euro-dull collection of businesses. pean club champions, which On the basis of continued makes Manchester's chances of qualifying for the final ther 4.5 per cent upgrade to stage of the competition earnings) and p/e (price/

more difficult. But some institutions, still ing to 1 per cent in 1998, the keen on the earning poten- shares continue to have tial of what is widely regarded as Britain's leading football club, took advantage of the momentary weakness to snap up the stock which eventually closed a net 51/2

Railtrack Group remained one of the market's favourites. The shares gained another 10 to 354p, with some specialists pointing to the prospect of a favourable property valuation at the group. Some 7m bad been dealt by the close.

Profit-taking and the partial opening of the channel tunnel left P&O 121/2 lighter at 595p, with 2.1m having been dealt by the close. Shares in Eurotunnel, operator of the tunnel, edged 1/2 forward to 861/2p.

Among engineering stocks, GKN was said to bave been boosted by an "add" recommendation from NatWest Securities. The shares, which have been weak in recent sessions on concerns about the poor outlook for the European automotive sector, hardened 10 to 1091p. NatWest is also keen on

FKI, which reported interim figures earlier this week. The shares hardened a penny to 204p. The broker said: "FKI is a well managed engineering company that has aggressively increased

earnings momentum (a furearnings ratio) premium fall-

attractions. National Power bounced 17 to 452p as the market decided to re-evaluate Wednesday's figures. Press comment highlighted the single digit prospective price/earnings ratio and the possibility of a tie-up with a regional electricity group.

Talk of a link with a rec was sparked by the amouncement that British Energy has agreed to form an alliance with Southern Electric to develop a long term joint business venture for electricity supply. Power-Gen also benefited from the British Energy news and ment, jumped 32 to 255%p

	Nov 21	Nov 20	Nov 13	Nov 18	Nov 15	Yr ago	"High	LOW
FT 30	2775.0	2784.3	2797.8	2777.7	2775.8	2656.8	2005.2	2868.B
Ord. div. yield	4.11	4.09	4.08	4.12	4.11	4.05	4.22	3.78
P/E ratio net	18.79	1884	16.68	16.78	1878	15.71	17.48	15.80
P/E ratio nil	16.63	15.68	18.72	18.60	18.62	15.58	17,30	15.71
FT 30 eines compl	lations high	2885.2 19	HOUSE EN	424 26	05/40. Res	Date: 1/	7/35.	
FT 30 hourty o	-							

banks.

Open 9.80 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2782.2 2785.5 2774.9 2777.1 2781.5 2781.1 2782.1 2779.5 2774.7 2785.8 2774.2

	Nov 21	Nov 20	Nov 10	Nov 18	Nov 15	Yr ago
SEAQ bergains	35,142	37,750	36,343	40,044	37,957	32,092
Equity turnover (2mt)	_	1103.5	1023.3	985.8	1222.B	2277.3
Equity bergainst	_	24,414	23,302	26,802	26,388	38,070
Shares traded (milt)	-	384.2	367.3	384.9	449.6	866.2
(Catalog intro-medial ba	one agent	overheis to	mover.			
Nov 21	Nov 20 I	Nov 13 No	v 13 Nov	15 Yr ago	"High	Low

1023.90 1023.80 1028.40 1030.00 1029.30

Rices and falls"		52 Week highs	and lowe	LIPPE Equity opt	Soos
Total Files	398	Total Highs	.58	Total contracts	30,91
Total Falls	718	Total Lows	105	Cells Pute	14,66
Same	1,481			Pute	16.24

the wake of the defeat by what initially appear to be a lifted 9½p to 588p. BE, which after the company announced a 30 per cent hike in full-year profits.

tinued to fade.

Strength in underlying copper prices gave a boost to RTZ, one of the world's biggest mining companies.

month high of about \$2,240 a tonne and CRA, RTZ3 Australian unit, has also been performing strongly. The combination put 22 on the price of RTZ which closed at

Chemicals group Court-A big two-way pull in Sears, with trade of 5.8m shares, strengthened the low-end profits and as Gold-man Sachs cut the stock to stock by 1% to 94%p. Speculation in the markst was that its Freemans agency mail order business may be sold, or else Sears is considbled 19% to 23p, after warning it expected a half year ering merging it in a joint venture with another large player in the industry. Names in the frame included Pinault Printemps Redonte, which owns Empire Stores and and Otto Versand.

which owns Grattan. An industry note from UBS said that radical change - such as industry consolidation and removal of some commission payments for agents - could transform ageocy margins. UBS said there were various configurations for mergers or takeovers but, in addition to foreign purchasers being interested in Freemans, it did not rule out Great Universal Stores.

Storebouse, which owns BhS and Mothercare, gained 5% to 275p following interim results in line with expectations. Analysts said that the group had made progress on a number of fronts, with improved clarity in the figures and current trading improving on the first half. However, they said Store bouse still had more to do to improve confidence.

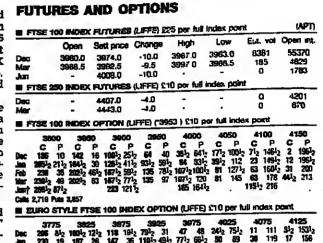
Thorn, which disappointed the market this week with interim results, increased 6 to 299%p. Mercury Asset Management, the leading UK fund management group,

announced it had increased Copper has reached a five- its stake to 15.58 per cent. The financial areas of the market took something of a back seat with the exception of Legal & General. whose shares marched np 71/4 to 3381/ap after some keen buying interest, which some attributed to revived take-

> Barclays Bank, elevated by a recent strong "buy"

over talk

recommendation from Kleinwort Benson, attracted a flurry of profit-taking and closed 8 off at 976%p.



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-8	F.P.	8.15	44	4	*Besidet	44		-	-	- 48
§ 3	F.P.	7.55	44	4	Beechcroft	4		-	-	- 13
§157	F.P.	37.2	17712	1702	Brands Hatch	170 ¹ 2		W3.5	19	2.6 17.
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§135	F.P.	49.1	16012	1522	Charles Taylor	16812		L42	0.3	21 53
3	F.P.	7.41	44		Corp Exec Search			-	-	-
160	F.P.	10.2	1642	1561	Deep Sea Leisure	1625		-	-	-
275		64,4	296)2		Druid Grp	2812	+1,5	-	-	- 30
§92	F.P.	9.26	9712	9712	Exeter Inv	9712		W3.5	1.6	4.5 17.
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114	F.P.	10.8	122 2	12212	Jardinerie Ints	12212		-	-	-
\$285	F.P.	138.8	310	292 2	John O Sports	28812		14.3	2.5	1.6 26.
§175	F.P.	172.5	1825	17212	Limelight	17212	-2	bW4.7	2.1	3.4 17.
72	F.P.	25.0	7912	8712	fLotus Road	70	412	-	-	-
\$180	F.P.	27.3	7222	18712	Majestic Wines	21412	+2	-	-	- 12.
\$10	F.P.	4.14	124	114	Miles Group	1113	4	K0.2		2.2
75	F.P.	5.45	9312	8212	Mondes	901 ²		-	-	-
§125	F.P.	22.9	13512		Provend	132 2		RW3.5	24	34 13
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FTSE 100	3953.3	-0.2	3962.8	3978.1	3962.1	3602.5	4.01	2.04	15.30	160.80	1648.
FTSE 250	4397.0	-0.1	4400.2	4400.3	4400.2	3934.0	3.56	1.48	23.51	162.62	1794
FISE 250 ex IT	4438.2		4439.6	4440.7	4440.5	3954.1	3.65	1.52	22.55	170.88	1315
FT8E 350	1970,4				1973.9			1.93		78.62	
FISE 350 Higher Yield	1872.8		1877,4	1887.8	1883.1	1768.2	5.23	1.81	13.22	98.24	1343
FISE 350 Lower Yield	2075.0	-0.2	2078.2	2079.9	2072.0	1793.0	274	2,14	21.34	59,54	1455
FISE SmellCap	2180.19	-	2159,80	2180.42	2163.53	1949.28	3.13	1.59	24.87	83.41	1798
FTSE SmellCap ex IT	2163.82	+0.1	2162.26	2163.81	2167.72	1931.86	3.36	1.86	22.A2	67.18	1814
FTSE Al-Shee	1945.10	-0.2	1948.57	1954.08	1948.57	1764.38	3.B5	1.91	16.97	76.08	1681
■ FTSE Actuaries Ind	ustry 5	Secto	rs:								
		Day's				Year	Div.	Net	P/E	Xd adi.	Tota
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10 MINERAL EXTRACTION(25)	3833.01				3828.37			1.71	19.68	142.73	1680.
12 Extractive industries(6)	4142.21	+2.0	4062.24	4033.85	3687.91	4251,20	3.92	2.66	12.00	162.00	1234
15 Oit, Integrated(3)	3968.29				3986,13			1.55	20.72	154.36	1787
18 Of Exploration & Prod(14)	2816.01	-0.1	2820.18	2834.83	261843	1897.53	1.87	1.70	39.25	52.93	1706
20 GEN INDUSTRIALS(275)	1973.70		1973.03	1982.31	1978.54	1929.62	4.34	1.68	17.13	78.31	1100
21 Building & Construction(34)	1164.11	-0.3	1167.03	1172.80	1179,02	897.48	3.63	1.47		39.71	
22 Building Matis & Mercha(29)	1314.86				1821.50			1.40		74.B1	
23 Chemicals(25)	2368.29	-0.1	2370.03	2880.36	2355.45	2309.12	4.35	1,44		86.14	
24 Diversified Industrials(19)	1383.31				1394.43			1.62	10.31	89.84	803.5
25 Electronic & Elect Eculp(36)	2251.12				2271.79		3.48	1.49	24.18	64.25	1137.
26 Engineering(71)	2589.29				2572.76		3.18	2.28	17.15	78.11	1587.
27 Engineering, Verticles(14)	3128.48				3100.37			1.72		103.02	
28 Paper, Pokg & Printing(28)	2498.00				2527.21			1.82		92.41	
29 Textiles & Apparel(18)	1104.49	-0.4	1103.70	1111.31	1113.43	1462.46	6.46	1.17	16.53	65.45	685.5
30 CONSUMER GOODS/825	3681.02		3690.47				3.84	1.94		130 23	

43 Media(45) 44 Retailers, Food(14) 45 Retailers, General(45)	4235.11 2053.46 2067.81	-0.2 4241.98 4227.89 4226.28 3486 +0.1 2051.70 2046.99 2035.15 1856 -0.1 2089.06 2086.86 2090.64 1880	.71 3.84	
47 Broweries, Pube & Rest.(21) 48 Support Services(50)		-0.1 2069.06 2066.86 2090.64 1880 -0.2 3170.20 3179.26 3170.23 2740 +0.2 2659.26 2651.31 2645.28 1852	.00 3.29	2.06 13.40 71.58 1213.39 2.00 13.01 73.81 1536.45 2.13 30.71 48.36 1711.21
49 Transport(25)	2588.98 2428.84	+0.1 2586.01 2580.81 2582.84 2181 -0.4 2438.05 2458.96 2441.80 2452	.30 3.71	1.13 28.60 93.48 1104.85
62 Bectricity(12) 64 Gas Distribution(2)	2640.63 1493.55	+0.9 261899 2632.00 2618 17 2790 -2.7 1534.85 1560.55 1534.95 1570	08 6.31	1.75 13.15 168.88 1066.49 2.22 8.90 429.17 1429.88 0.83 18.69 119.71 617.12
66 Telecommunications(8) 66 Water(11)	1996.33 2272.58	-0.8 2013.02 2030.44 2014.38 1987 +0.3 2298.13 2274.54 2279.03 2138	.96 4.17	1.51 13.87 50.32 927.26 2.31 8.77 103.62 1290.52
69 NON-FINANCIALS(866)	2036.56	-0.2 2040.13 2046.30 2038.06 1859	52 3.87	1.82 17.74 31,68 1581.48
70 FINANCIALS(103) 71 Banks, Retail(8)	3267.31 4653.81	-0.1 3272.08 3281.70 3287.80 2852 -0.5 4676.41 4691.03 4705.04 4023	09 4.07	2.36 12.95 124.83 1439.12
72 Banks, Merchantifo	3745.04	-0.1 3747,96 3757,23 3752,58 3543	67 276	2.71 11.82 175.98 1555.78 3.04 14.78 95.60 1206.55
73 Insurance(21) 74 Life Assurance(7)	1554.34 3817.47	+0.5 1546.06 1550.30 1551.95 1428 +0.9 3783.82 3814.18 3822.06 3458	08 4.07	2.30 10.07 79.70 1203.43 1.78 17.20 151.01 1623.05
77 Other Financial(20) 79 Property(41)	2094.48 1895.21	-0.1 2697.04 2705.05 2701.71 2403 -0.1 1696.07 1690.65 1687.79 1390	09 4.10	1.77 17.18 94.70 1566.32 1.27 25.81 43.57 1061.74
80 INVESTMENT TRUSTS(128)		-0.4 8196.31 3130.43 3129.62 2954		1.12 48.95 68.57 1103.08
89 FTSE All-Share(895)	1945.10	-0.2 1948.57 1954.08 1948.57 1764		1.91 16.97 76.08 1681.81
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To the Second	Highs & Lows shown on a 52 week basis WORLD STOCK MARKETS
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- F -21. 11/1 Powers 20 12/1 Powers 20 12/1 Powers 20 12/1 Powers 20 27/1 Powers 20 27

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374, 231, 71.0 R Data
381, 27 RT Brangs
22 SST, MARCA ES
281, 227, March Pr
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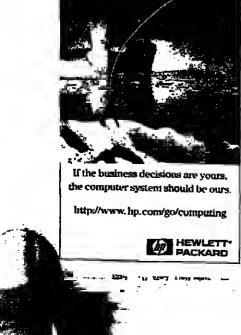
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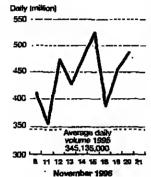
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Dow, tech stocks fall in tandem

US blue chips turned back from their record setting run and the technology sector fell victim to some profit-taking. writes Lisa Bransten in

At 1 pm, the Dow Jones Industrial Average was off 20.50 at 6,409.52 and the Standard & Poor's 500 had fallen 2.01 to 741.94. The American Stock Exchange composite lost 0.53 at 586.66. NYSE volume was 271m shares.

The Nasdaq composite, which is weighted toward



the technology sector, was 6.49 lower at 1,258.45 and the Pacific Stock Exchange technology index was 0.5 per

Large capitalisation technology stocks, which had led the market on the way up. the 300 composite index off fell yesterday. Intel shed \$252 27.71 at 5,938.39 in good at \$118%, Microsoft lost \$21/4 at \$151. Also posting losses were Motorola, off \$1% at

Compaq Computer shed \$1% at \$78% after announcing it would cut prices on some of its products.

posted a stunning series of cents to C\$46.55.

gains in recent sessions. managed to avoid losses by early yesterday afternoon. By 1 pm, it was \$% higher at \$153 to post yet another nine

year high. Boeing added \$1 to the \$2% it rose on Monday, bringing the shares to \$97% on news that American Airlines would place a large order with the aircraft manufac-

Profit-taking did hit other components of the Dow. Caterpillar gave up \$1 of the \$4% it rose on Wednesday. bringing the shares to \$77%, and Aluminum Company of America (Alcoa) shed \$1% of the \$1% it climbed on Wednesday, bringing those shares to \$623.

Shares in CompuServe, the online service company, slid \$1 or 9 per cent to \$10% after it reported a higher than expected operating loss and said that it planned to abandon its family-oriented Wow! service and pursue services

Olsten, the temporary employment agency, tum-bled \$5% or 26 per cent to \$14% after warning that it expected net income for the fourth quarter to be less than half of the 41 cents a share that analysts bad fore-

TORONTO kept in step with the weak early trend on Wall Street, falling back from recent peaks to leave the 300 composite index off

two-way volume. Golds led the way down and financial services were \$5334, and Advanced Micro also noticeably flat. The Devices, which fell \$1% to golds index slid more than 2 per cent. Trading volume during the morning session topped 57m shares.

Barrick Gold fell 75 cents to C\$37.15 and Placer Dome Shares in the Dow were 80 cents to C\$34.90. Royal mixed. IBM, which had Bank of Canada retreated 70

CANTV spurs Caracas

CARACAS moved 1.1 per cent higher as investors prepared for the start of trading in response to third quarter in CANTY, the telephone CDP data, but by midsession company, after the successful conclusion of the global 31.31 at 3,326.85. share issue. The IBC index by midsession

Final pricing of the CANTV issue was due later in the session, and analysts said that the early reference range put the issue at to take off in the absence of between \$3.07 and \$3.50.

MEXICO CITY saw a short-lived morning rebound the IPC index was down

The finance ministry ter CDP was up 7.4 per cent. higher than the 6.5 per cent consensus estimate.

One analyst commented that the market was unlikely renewed foreign demand.

S Africa tumbles on rate rise

rates pushed the rand ahead in the foreign exchanges. but created near-maybem on the Jobanneshurg stock market where share prices plunged across the board.

At the close, the overall 6.774.4 after a fall of 97.2 to 7.980.1 for the industrial index. De Beers, a leading pulled lower in spite of a blue-chip, gave up more brief rise above \$380 for the to R139.75 In turnover of

Dealers said that the rate the bop. "The recent weak-

A one percentage point rise ness for the rand has been for central bank marker signalling some sort of censignalling some sort of central bank support, bot even so, most traders were surprised by the move", said

rise caught the market on index closed off 7.9 at

Seiling was aggressive from the opening bell with the futures market said to index was down 76.5 at have shown a particularly mean turn of speed on the downside. Even golds were than 2 per cent, sliding R3 bullion price. Anglo American fell R4.75 to R261.75 and South African Breweries R3.50 to R117.25. The golds

Five new highs around Europe's periphery

Moulinex Senior hourses remained

subdued hut five peripheral countries registered all-time highs, including Spain, Turkey and, in the Nordic bloc, Sweden, Norway and Fin-

ting of the control o

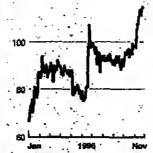
Wall Street tipped into deficit in the American midmorning, but It was bonds. rather than overseas equity markets which were the common factor among the three Nordic winners and in Spain, said Mr François Langlade-Demoyen, European equity strategist at CS

Convergence was continuing in European financial markets, and helping peripheral countries, said Mr Langlade. In addition, he said, their competitiveness was improving and some recent results had been beneficial. Atlas Copco, the Swedish industrial engineering group was the latest example, maintaining Its forecast of higher 1996 profits yesterday, lifting the B shares by SKr4 to SKr144 and helping STOCKHOLM's Affars-

gain of 15.0 at 2.254.4. OSLO, meanwhile, scraped to its 10th consecutive closing high, the total Index

världen General index to a

new peak of FFr112.50.



even finer, with the general index 0.6 better at 391.41. **HELSINKL** although it was particularly edgy over the Dow's prospects, still managed to lift the Hex index by 7.68 to 2,380.36 as attention moved from blue chips to small capitalisation stocks. PARIS again traded nar-

Moulinex, the domestic appliance maker best known for its vacuum cleaners and food mixers, surged by almost 5 per cent at one stage following the news that Mr George Soros had bought into the company.

rowly in spite of an active

session for the takeover

rimour mill.

hedge fund investor had taken 5.5 per cent of Monlinex, which announced a radical restructuring earlier Nov 21 this year. The shares eventually closed up FF7140 at a

Cluh Med. which the hid gossips have recently linked to a takeover attempt from Accor, the hotels group, continued to advance. But Casino, the supermarkets chain, retreated following a trenchant danial from retailer, Promodes. Club Med gained FFr9.90

to PFr330.9. Casino sbed FFr6.10 to FFr240 as Promodes, which said it was not and never had been in talks with Casino, fell FFr31 to FFr1.451 Renault stayed under pressure as worries about weak

results from Fiat, took a firm

Among carmakers, Daim-ler's expectation of 10 to 11 grip. The stock fell FFr290 to FFr114.10, against a low for the year of FFr107. Lafarge put on FFY7.70 to FFr326 for a two-day rise of almost 4 per cent after Morgan Stanley added its name to the growing list of brokers.

At the close, the CAC 40 was up 0.16 at 2,288.57.
FRANKFURT drifted although forecasts were emerging that the .Dax

THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Class FTSE Eurobrack 180 1828.13 1825.65 1825.42 1825.65 1827 31 1829 44 1828.92 1827 09 FTSE Eurobrack 200 1867.84 1867.84 1868.07 1868.79 1871.60 1873.69 1873.29 1870.87 Nov 19 Nov 20

1826.00 1811.78 1865.31 1852.99 1927.08 1869 03 1828.66 1889.15 Sam with 1000 (25/10/40): Highlisty, 100 - 1602.24, 200 © FISE International Limited 1998, All rights reserved. F191.80 after bottom of the could top 3,000 next year. range half-year numbers. The shakeout at CSM

Here, hunds and hund futures were steady in late trade but the dollar was still below DM1.50, the Bundesbank had left interest rates unchanged, and with September retail sales down 4 per cent in real terms, it was left to the automotive industry to provide some good economic news with October new car domestic registrations up 6.9 per cent. trading, sparked by flat

> per cent growth for 1996 left the shares 75 ptg higher at AMSTERDAM had a mixed session with investors

> mostly focusing on ING and CSM, the day's two hig results. Both disappointed the market. ING, the insurance and

banking group, eased 10 ond tier technology group cents to Fl 58.90 in spite a 24 per cent rise for nine-mouths and a market favourite, after closing just 0.63 higher at It emerged late on Wednessindex, 0.79 lower at an Ibis-profits. The foods group, its near 300 per cent advance 920.24; and MADRID cut it day that the international indicated 2,765.29 last night, CSM, tumbled F1 3.60 to between January 1995 and

50.712 while Shenzhen fin-

ished 1.2 per cent ahead at

sparked switching into the

rival foods stocks, Nutricia

and Unilever, up Fl 4.60 to

Fl 250.20 and Fl 3.10 to

Internationals reflected

the mixed session. Philips

and KLM added 40 cems at

Fl 40,70. 1'ut Royal Dutch fell

ZURICH saw further

action in SEZ, the technol-

ogy group, which jumped SFr93 or 5.9 per cent to

SFr1,660 on its second day of

trading. During Wednesday's

debut, the shares rocketed to

SFr1,567, a 63 per cent pre-

The advance prompted

mance of Esec, another sec-

Fl 283.70 respectively.

FI 2.70 to FI 283.30.

SFr960.

day. Esec gave up SFr80 to SFr5.520 but ut the same sector, Micronas picked up SFr40 to SFr1,090. The broad market consolldated further, the SMI index losing 21.8 to 3.861.5. Nestlé

fell SFr16 to SFr1,399 in further response to Wednesday's 10 month figures but Alusuisse rose SFr8 to SFr1,003 as recent brokers' recommendations prompted domestic and foreign demand.

ISTANBUL jumped 3.2 per cent lo an all-time high on strong demand for Eregli as hopes rose for the early privatisation of the largely state-owned flat steel producer

gained 40 cents at Fl 63.30 The EMKB-100 index rose 2,704.17 to 87,299.29 in record turnover of TL31,000bn. Hectic trade was reported in Eregli, which gained TL2,000 to TL14.500.

ATHENS fell 1.4 per cent as disagreements over Ergo Bank's planned Dr27,300bn rights issue tugged the shares down 5.3 per cent and mium over the offer price of the ripples spread to the rest of the financial sector. The general index lost 13.45 at comparisons with the perfor-900.85 and Ergo Bank. dropped Dr615 to Dr11,545. ...

> Written and edited by William Cochrane, Michael Morgan and

Taipei turns lower on gangland shooting news

ASIA PACIFIC

News of a gangland shooting swung TAIPEI dramatically into reverse. The weighted index, which hit a high of 6,771.39 during the morning, fell by almost 80 points to close off 36.87 at 6,692.49.

The shooting, killing eight people in the home of a Taiwan official, had rekindled concern about Taiwan's poor social order and sparked profit-taking after the recent strong rise.

Electronics stayed firm in spite of the afternoon sell-off. The sector gained 0.84 per cent, and CMC Magnetics jumped T\$1.6 to T\$45.4 after news of a hig US order. Acer, the computer group, added 80 cents to T\$45.

Asustek, the computer equipment group floated this year at T\$98, surged hy the daily 7 per cent limit to T\$171, limit-up for the seventh consecutive session. TOKYO retreated only

slightly, resisting the potential shock wave from the collapse of a second-tler regional hank in western Japan under a mountain of bad loans, writes Gwen Robinson in Tokyo. The Nikkei 225 average closed 46.62 lower at

21,143.34 after moving hetween 21,105.11 and 21,301.26. There was continued buying of blue chip issues. In particular Honda and Toyota, but this failed to generate broader buying interest.

News of the Finance Ministry's order to Hanwa Bank to cease all operations, except for customer deposit withdrawals, bad little impact on the trading floor. Some investors took the ministry's order as a positive sign of the government's determination to rectify the bad debt problem plaguing Japan's banking sector.

Volume was virtually unchanged at an estimated 362m shares, against 360m. The Topix index of all firstsection stocks shed 2.17 to 1.570.61 and the capital

weighted Nikkei 300 was off 0.21 at 295.55. Declines led advances by 708 to 371 with 173 unchanged.

In London, the ISE/Nikkei · 50 index rose 1.52 to 1455,58. Carmakers benefited from Wednesday's release of greatly improved figures for October domestic vehicle production and sales. Honda, which reported a 40 per cent year-on-year Increase in domestic production and 30 per cent increase in sales, advanced Y90 to Y3.080. Toyota, which also turned in healthy production and sales figures, added Y20 to Y2,970

and Nissan YII to Y796.

Blue chip electricals and

high-technology issues were mixed, however. Sony fell Y20 to Y7,080 and Pioneer Electronic 6hed Y20 to ZHEN again saw wild swings Y2,370, while Hitachl on another day of rumour advanced Y30 to Y1,050 and selective buying drove up TDK, which gained Y140 to Y7.020 on Tuesday's announcement of record first-half earnings; hut Tokyo Electric Power fell Y30 to Y2,570 on Wednesday's 51 per cent decline in interim recurring profits.

While leading banks and securities houses gained ground, some smaller regional banks fell on concern triggered by the Hanwa Bank collapse. Tokuyo City Bank fell Y20 to Y218, Kyushu Bank Y5 to Y435 and Hanshin Bank Y22 to Y413. In Osaka, the OSE suspended trading in shares of Hanwa Bank and the OSE average fell 34.67 to 21,522,45

in volume of 50.64m shares. BANGKOK lost ground as negotiations continued between coslition partners over cabinet appointments. The SET index gave up 1.2 per cent, ending down 11.08 at 955.35. The New Aspiration Party, which won the most seats in Sunday's general election, was in talks with five coalition partners over cahinet seats. The talks were said to be bogged down

Banks lost ground, Thai Farmers shedding Bt3 to

over economic posts.

Shenzhen Indices dropped 6.6 per cent to 430.50 on expectations of government action to curb excessive speculation, which had led to a sharp outperformance by the A chares in recent months,

112.64, after trading up almost 7 per cent around Bt204 and Bangkok Bank Bt2 to Bt202. TelecomAsia shed SHANGHAI and SHEN-

Bt4 to Bt55

JAKARTA, hit by a sharp fall in the index heavyweight, Telkom, closed with on another day of rumour the composite index off 3.77

driven trade. Shanghai's at 602.99. Telkom fell Rp50 to local currency A index Rp3.800 in 4.6m shares. Voksel Electric was the plunged 7.5 per cent to 988.189 and Shenzhen's As most active stock, trading 9.4m shares and gaining Rp25 to Rp1,050 after a high

sion the company confirmed that it was in merger talks. Aneka Kimia was also actively traded on reports The Bs. meanwhile, conthat it planned joint ventinued their powerful rally tures with foreign partners. yesterday on rumours of Shares in the chemical government action to supgroup surged 29 per cent, risport the markets. Shanghai's ing Rp325 to Rp1.450. index rose 2.1 per cent to

of Rp1,200. Late in the ses-

after three consecutive record closes as the Hang Seng index ran into resistance at 13,200 points. The index closed 67.60

lower at 13,099.56 after a record intra-day high of 13,237.73 and a low of 13,028.03. Turnover remained

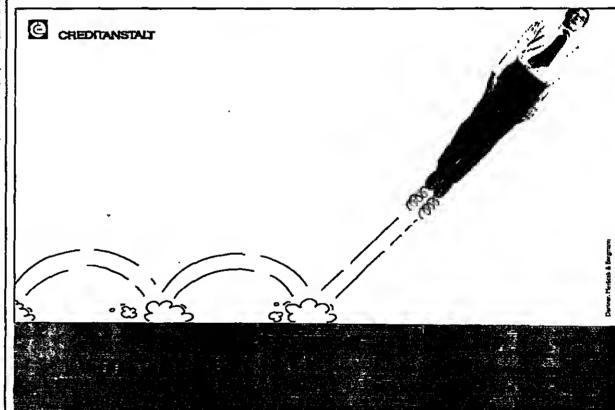
heavy at HK\$10.7bn. Banks were hard hit with

HSBC Holdings closing HK\$1.50 lower at HK\$157.00 and Hang Seng Bank off HK\$1.75 at HK\$90.75. SINGAPORE turned its

attention to property stocks, notably Hongkong Land, as the Straits Times Industrial index closed up 3.41 at 2,197.69

Hougkong Land rose 31 cents to \$2.78 as its inclusion in the newly launched **Business Times-Singapore** HONG KONG turned back Regional Index helped attract foreign buyers.

BOMBAY was lower as disappointing first half results continued to pour in and the BSE-30 index finished 19.20 lower at 3,043.30. Tata Chemicals dropped Rs19.50 or 9.8 per cent to Rs180.50 on results.



FT/S&P, ACTUARIES WORLD INDICES

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lustralia (78)219	30 22	193,85	154.11	170.78	182.39	1,4	4.19	214,65	189.95	151,09	167.70	179,81	218.30	183,48	183.4
lustra (24)184		163,33	129.85	143.88		0.0	1.99	184.08				143.75	195.04	166.35	
3elgium (27)	0.0	202 24	160.79	179.1S			3.83	228.74					229,11	197.59	200.5
Srazii (28)179		158,30	125.85	139.44			1.80	179.77					189.70	129.15	129.1
Canada (116)194		172.09	136.82	151.60			1.81	192,37			150.30		194.69	144,35	145.7
)enmark (30)	.41 0.6	300.8 9	239.21	265.05	266,36		1,73	335.50		238.28	284.47	265.74	340.41	276.89	281.6
inland (24)239	31 1.2	217.53	168,17	186.33	226.83		2.21	235.35	209.16	166,37	184.66	224.70	239.34	171,73	217.2
rance (93)211	.77 02	187.18	148.61	164.89	168,27	-0.2	2.90	211,43	187.10	148,83	185,18	158.57	211.77	167,70	151.3
Sermony (59)	.55 0.7	166.67	132.50	146.81	146,81	0.3	1.66	187.30					188.59	159.60	1612
tong Kong (59)497	44 1.1	439,69	349.5 6	387,32	493.81	2.1	3.13	492.19	435.57	346.46	384,54	489.80	197.44	357.56	357.5
ndenesia (27)	11 -1.4	185.44	155.38	172.18	317.20	- 1.4	1.62	224.18	196.38	157.80	175.15	321.60	-	-	
reland (16)318		281.33	223.68	247.82	266.48	-0.5	3.43	318,80	282.12	224,41	249.07	267.68	319,32	249.80	258.5
taly (58)		73,84	58 70	65.04	93.42	0.0	2.22	82.68	73.17	58.20	64.58	93.45	84.53	67.22	70.3
lapon (480)143		126.62	100.66	111.54	100.66	0.8	0.76	141.94	125.61	99.91	110.69	99.91	154.88	137.62	145.5
Malaysia (107)589		521.47	414.57	459.36	572.57	0.5	1.10	586.27	518.82	412.69	459.05	589.50	589.95	429.31	428.3
da.dco (27)1209		1098.89	848 78	941.58	10431,80	0.0	1.06	1207,74	1068,79	850.1S	943.58	10431.80	1325.85	878.35	878.3
letherland (19)		286.83	228.03	252.67	248.80	-0.5	2.97	324,83	287.54	228,72	253.88	249.99	325.61	260.87	2602
lew Zealand (15)92		81.59	64.94	71.96	69.10	0.4	4.02	82.32	81,70	64.88	72.13	68.82	94,35	75.94	78.4
lorway (35)282		249.45	198.31	219.73	241.80	0.4	2.03	280.15	247.92	197.21	218.88		282.21	222.24	226.5
7rilippines (22)198		175.14	139.24	154.28	259.11	0.3	0.61	197.55		139.06	154.34				
Singapore (43)414		356.43	291.31	322 78		1.6	1.01	408.38		287.47	319.06		465.21	369.24	369.2
South Ainca (44)328		290.90	231.27	256.25		-0.6	2.32	333.34		234.65	260,44			314.20	
Spain (37)196		175.13	139.23	154.27	189.06		3.18	196.95			153.88			153.59	
Sweden (48)406		359.48	285.80	316.68			2.14	407.14			318.09			294.18	
		221.19	175.84	194.83	196.38		1.51	250.39		178.25	195.82		254.34	219.29	
Switzerland (37)		107,51	85.47	94.53	119.93	0.0	2.86	121.53		85.55					
Theiland (45)121			187.95	208.25	236.41	-0.3	4.02				94.95			112.17	
Inited Kingdom (213) 267		236.41				0.2		268.09		138,71	209.45			222.43	
JSA (624)	41 02	267,30	212,51	235 47	302.41	0.2	1.98	301.87	208.97	212.35	235,59	301.67	302.41	243,34	244 7
Imencas (795)278		244,70	194 54	215.58	232.70		1.97	278.06		194.32	215.69		276.84	222.53	
urope (720)		205.82	163.63	181.31	196,22	-0.2	2.84	232.62		163.75	181.74			184,31	
lordic (137)		309 45	246.02	272.80	299,21	0.0	2.08	349.15		245.78				261.13	
acriic Basin (876)160		141.87	112.79	124,97	114.35	0.8	1.22	158.94	140.65	111.58	124.18		177.01	153.87	
uro-Pacific (1596)190		168 41	133.89	148.35		0.3	2.10	189.52	167.72	133.41	148.07	144.77	190.57	172.18	
korth America (7-10)296		261 68	208.03	230.S1	295.02	0.3	1.98	295 18	261.22	207.78	230.62			237.55	238.6
urope Ex. Uk (507)208	10 0.3	184,82	146 94	162.81	171.58	-0.1	2.33	203.48	184.50	148.75	162,88	171.70	209.10	174.81	177.1
Scritc Ex. Japan (396)311	47 1.2	275.31	218.88	242.52	268.06	1.0	2.78	307.68	272.44	216.71	240.53	265.43	311.47	245.02	245.0
Vorid Ex. US (1811)192		170.26	135.36	148.98	150.65	0.3	2.09	181,63	169,58	134.89	149.72			173.24	
Vorto Ex. UK (2222)223		187.29	156 85	173.79	139,90	0.4	1.83	222.16	186.61	158.39	173.57	189.23	223,20	192.21	192.2
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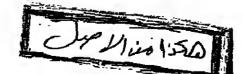
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DERIVATIVES

As risk diminishes, competition rises

risk has not disappeared.
Indeed, although the inter-

Customer demand has increased substantially and the focus now is on developing new products, says Richard Lapper

and standards of risk man-agement improve, the daily preoccupations of derivatives dealers are becoming routine. Worries ebout competition and shrinking margins now seem more pressing than the fears of tough new regulations which overshadowed the industry in the wake of a string of cor-porate disasters between

1993 and 1995: Bankers also accept that the high margins of the early 1990s are gone and that the economics of dealing in standard derivatives are increasingly resembling the foreign exchange or bond business. "We have to recognise that commoditisation of this business is inevitable," says Julian Simmonds, head of global derivatives at Citi-

1ews

Competition is increasing despite a rise in volume in most sectors of the over-thecounter (between banks and their corporate customers) and exchange-traded markets. Lower interest rates and a fall in volatility, espe-cially in currency markets, has dampened growth in some areas - for example, the volume of eurodollar contracts traded at the Chicago Mercantile Exchange (CME) has declined sharply over the past year. However, elsewhere volumes have risen, with Liffe, seeing its busiest ever trading month in October, when uncertainty in the European bond markets triggered heavy demand for German and Italian bond and money market

In the OTC market, the volume of currency and more easily in countries interest rate ewaps and interest rate options out-standing rose by more than 50 per cent in 1995, according to the New York-based International Swaps and Derivatives Association (Isda), whose figures are based on aggregate data submitted by Isda's 80 members.

In the first six months of this year growth has continued, with the volume of the same new OTC contracts rising by 20.2 per cent to \$8,810bn in notional principal amount, according to Isda. "Despite all the negative press reports, customer demand has kept on going up," says Paul Spraos, the publisher of Swaps Monitor. a New York-based newslet-

In the light of these trends, arguments that the market for interest rate and currency derivatives had become saturated appear in credit pricing in the bond overblown. "There are many end-users who are reluctant to get involved and the number of customers is rising," says Arun Aggarval, partner in capital markets and treasury at Price Waterhouse in

Indeed, this growth in activity is one of the reasons attracting new capital into the industry. A number of European banks have stepped up their presence in the market, bidding up the price of specialist personnel. Dealers in the OTC market are also beginning to make more effective use of their existing capital by using collateral and netting agreements more widely, in part because of efforts to improve credit risk management in

the wake of the disasters. We are seeing much more concentration on counterparty risk." says Richard For example, a bank might Bolchover, a director with construct a hedge which pro-Close Fund Management in London. "There is much more demand for collateral in the OTC market and margining is becoming more common." Mr Sprace says that "dealers need to set aside less capital. They are getting more efficient at handling the credit risks associsted with swaps."

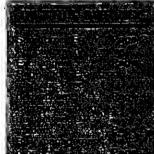
Partly as a result of this the margins from standard swap and interest rate correlation between different options business have been slashed. James Orbell, director at Credit Suisse Finan-nistic and sales-led." says tor at Credit Suisse Financial Products, says in the D-Mark sector - where the best swap opportunities have been available this year dealing margins have fallen to as little as two basis points compared with five hasis points two years ago. In the US competition has manage and transfer risk ded to such an extent more effectively as part of

As exotic financial that you can lose a deal by instruments become more quoting a tenth of a basis widely accepted by business point too high," adds Mr Orbell Indeed, in a recent survey Swaps Monitor found that bid-offer spreads on US dollar interest rate swaps had fallen from four basis points in 1991 to about one basis point. In addition, swap maturities have become longer. "Eighteen to strike a deal with a maturity beyond 10 years," says Mr Orbell. "Now it is not uncommon to see maturities

of between 20 and 30 years." denominated in currencles Mr Simmonds says that "a significant number of customers are dealing at midpoint. A year ago banks could cover the costs of could give rise to potential legal problems, and possibly hedging their own positions. Now they can't. There is no inherent profitability if you intend to exit the trade immediately."

in response to these pressures dealers are focusing some efforts on new product development, where higher margins can cometimes be obtained: The recent growth in equity derivatives business has been encouraging Bankers are hopeful that more institutional investors can be attracted to use prodncts that offer protection against a downward move in share prices. Already equity derivatives have been used to entice private shareholders to participate in European new issues.

There is optimism, too about possibilities in the emerging markets, where derivative etructures are being used to allow investors to circumvent restrictive ownership rules or difficult custody or settlement arrangements, or to operate



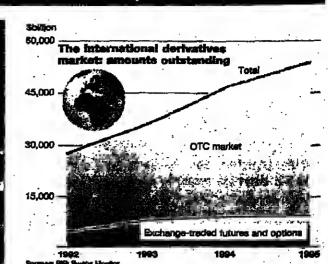
such as Russia and China where currencies are not freely convertible.

Looking further ahead, there are hopes for the development of insurance and energy derivatives, but the most promising innovation has been development of credit derivatives which offer investors a way to take advantage of the differences and loan markets. A survey this summer by Risk, a specialist publication, showed that the notional principal amount of credit derivatives outstanding was \$39,2bn.

recognise that the decline in margins on standard products is inevitable. Therefore, they must look increasingly at the profitability of their underlying swaps and options business as a function of their broader business relationship with corporats customers. In this sense, standard swaps and options are services that banks must offer big companies if they are to have any hope of winning the bigger fees available from arranging the more complex derivatives deals which meet the particular corporate needs. tects against a fall in the oil price as well as a rise in interest rates. The introduction of more sophisticated risk management computer technology - again in response to the derivatives disasters - has enhanced the capacity of banks to develop this type of product. So-called value at risk computer models allow banks to measure more accurately the market risks. "Derivatives Steve Smith, director of equity derivatives at SBC Warburg. "They are becoming part of an array of services that a bank provides to its clients."

Mr Smith sees the industry's improved ability to

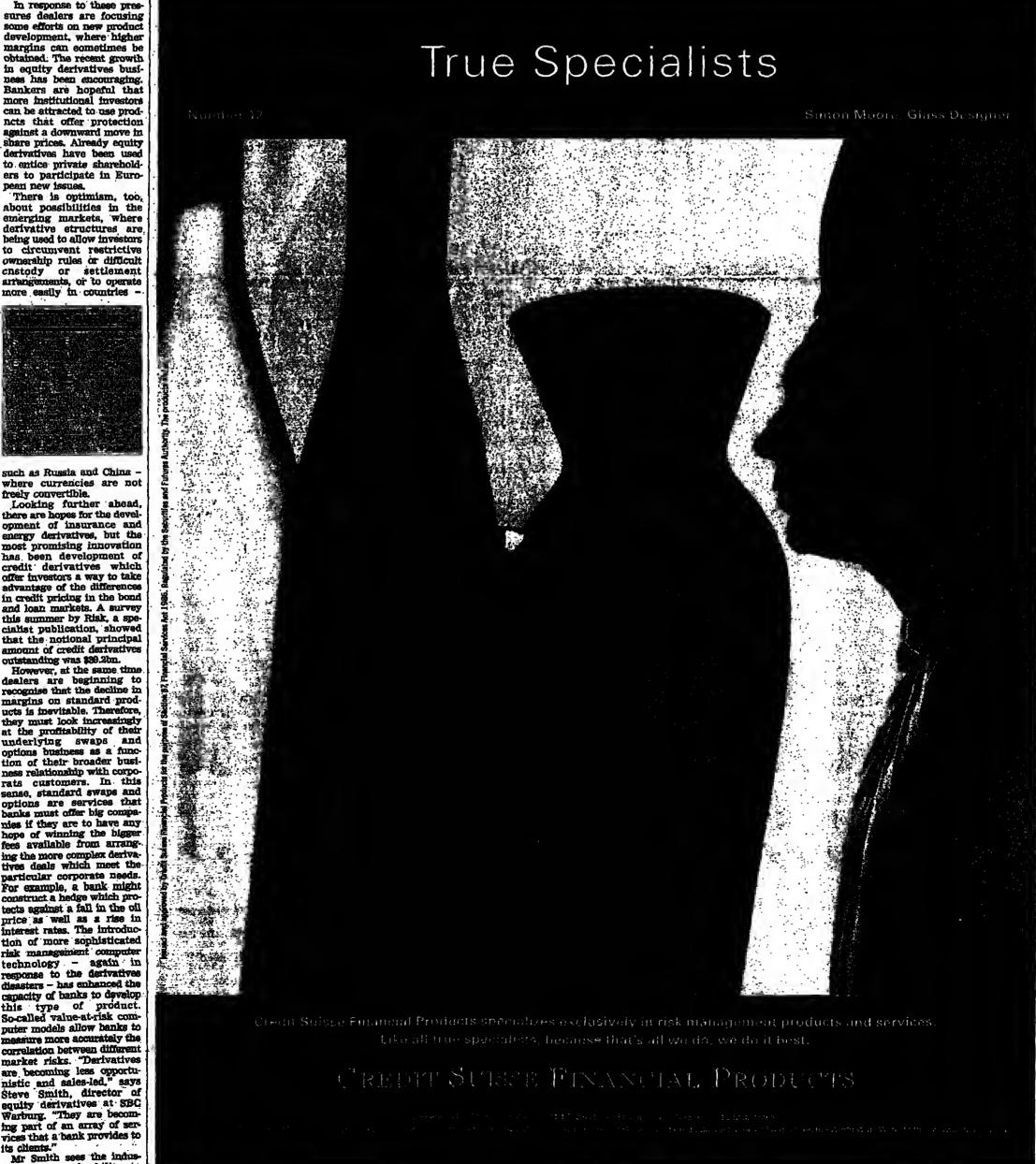








Liffe (top) has set its sights on displacing the Chicago Board of Trade (bottom left) from the world No 1 spot (see pages 2 and 3). Meanwhile, the London Metal Exchange (above) faces difficult ques



uestions of management

Maverick trader Yasuo Hamanaka incurred losses now estimated to total \$2.6bn

Yasuo Hamanaka, the former copper trader at Sumitomo Corporation, was well aware of the enormous influence he exerted in the copper market. He was also aware of allegations that he was manipulating prices. "There are many rumours about our operations," he said in an interview with Futures & Options World in 1992. "But it is not possible to control price trends. Nobody can do it."

Mr Hamanaka was, of course, correct. But it seems that he learned this lesson the hard way - incurring losses for Sumitomo estimated to be \$2.6bn. The former star trader is facing charges of forgery in Tokyo.

In the wake of Sumitomo's revelations, all sorts of questions have been asked about how such enormous losses occurred. Much attention has focused on Sumitomo and its management controls, such as how Mr

and how much, if anything, the UK Securities and was known hy other company officials.

The Sumitomo affair is also posing difficult questions for the London Metal Exchange, the home of copper futures trading, as well as for the over-the-counter market in commodity derivatives where Mr Hamanaka appears to have done much of his dealings.

The LME faces two main questions: Did the exchange do enough to exercise its powers to investigate Mr Hamanaka? And does LME need any new powers or other rule changes to prevent market manipulation? On the first question, evi-dence so far is mixed. Critics

point out that LME officials were first made aware of some suspicious-looking dealings involving Mr Hamanaka a long time ago. In November 1991, US-based hroker David Threlkeld first sent a letter to LME chief executive David King Indicating that Mr Hamanaka had sought confirmation for a fictitious copper trade.

However, Mr King has vigorously defended the way in which LME handled the issue. Mr King says he acted Hamanaka was allowed to immediately to bring the huild his massive positions, matter to the attention of

Investments Board, and called a meeting between himself, a representative from SIB, Mr Hamanaka and another Sumitomo official. The SIB appears to have accepted Mr Hamanaka's explanation that the trade in question was being revised for tax reasons and that this was acceptable under Japanese law. Whether the LME should or could have done

open to question. It probably did not help that Mr Threlkeld was regarded as something of a maverick, if not an outcast, within the tightknit global metals trading community. At the same tims, other brokers and dealers were patently very keen to win some of the husiness Mr Hamanaka was putting through the markets. How lucrative this husiness was would seem to be

more, however, remains

confirmed by the impressive profits of Winchester Commodities, the UK-hased introducing broker that handied a large chunk of Sumitomo's dealings at the LME. Winchester founders Charles Vincent and Ashley Levett, who have aince stepped down from day-to-day management of the firm, paid themselves bonuses of £15m

Winchester was not a member of the LME, and the Sumitomo transactions that It had handled were cleared at the exchange by Crédit Lyonnais Rouse. After a copper market squeeze in 1993 CLR apologised to the LME and paid £100,000 towards the exchange's costs. Many hrokers saw this as a "fine."

But CLR maintains there was nothing untoward about its relationship with Mr Hamanaka. CLR has said it is "satisfied that all credit lines and contractual documentation were properly officials designated by Sumi tomo to have such powers" and that such anthority was "not exclusively in the hands of Mr Hamanaka".

Mr Hamanaka has said

that he dealt with 10 to 12 LME ring dealers and. through his lawyer, has admitted to forging signatures to gain control over certain Sumitomo accounts with Merrill Lynch. Rudolf Wolff, another ring dealer owned by Canadian natural resources group Noranda. has also suspended three senior executives in Tokyo pending an investigation of dealings with Mr Hamanaka.

To some critics, the Sumj-



Yasno Hamanaka: learned lessons the hard way

tomo affair - together with the episode in 1993 when a "rogue" trader cost Codelco of Chile losses of \$170m seems symptomatic of a deeper malaise at the LME. Some critics still see the LME as a kind of "insiders club" run for the benefit of members. On the other hand, the LME board played a crucial role in limiting Mr Hamanaka's attempts to 'sqneeze" the copper mar-

At least three times (in December 1991, November 1993 and May 1996) the LME imposed limits on the backwardation in copper prices, limiting the amount hy which current prices could exceed those for future deliv-

While it was apparent that the copper market was being squeezed, it took much longer to confirm Mr Hamanaka was the prime mover. Here again critics say the exchange was slow to act. Some claim that it was only after the LME opened copper warehouses in the US in 1995 sparking attention from the Commodity Futures Tradlog Commissioo to a huild-up of stocks in Long Beach - that the LME

mounted a serious inquiry. The SIB launched a review of the metals markets in July and the consultation process it started produced many suggestions about bow LME might tighten its rules.

One idea, promoted particularly hy some in the US futures industry, was that the LME should ban memhers from offering credit lines to support customer trading, which would bring it into line with most other futures markets. But replies to the SIB show that such a change would be unpopular with virtually all LME users.

Moreover, there is little to suggest that there is anything much wrong with the LME's financial integrity. In the wake of Sumitomo's announcement last June, the London Clearing House

(which guarantees the LME trades) made some massive extra margin calls. At onc point the LCH held more than £3.5bn to support copper positions alone, almost half of the total funds beld in margins for all the London futures markets comhined. The fact is that the market came up with the funds and no member

defaulted. Other possible changes may affect market surveillance and transparency. Chairman Raj Bagri is boping, for example, to have changes made to the UK Financial Services Act so that the LME would have the power to control any

"over-the-counter" instruments, outside the LME's remit. This interpretalloo was supported by subsequent revelations that Sumitomo had arranged at least two large and complex copper swaps with US banks JP Morgan and Chase Manhat-

in up-froot loans to support its trading activities. But it is hard to see how the LME could he given effective power over the OTC market. Some critics suggest that the monitoring of OTC transactions calls instead for a greater role for the regulaorganisation that used its tors, in the UK, the US,

Japan and elsewhere.

that much of Sumitomo's

trading had occurred in

tan, generating up to \$900m

Emu: by Samer Iskandar

markets. Mr Bagri claimed

Exchanges go into battle

Emu will lead eventually to the decline of some products

The recent quasi-simultaneous decision by the London and Frankfurt derivatives exchanges - Liffe and the Deutsche Terminböse (DTB) - to launch identical futures contracts on onemonth interest rates on the D-Mark will be remembered as the opening salvo of a fierce hattle for the dominance of the market for derivatives denominated io the suro - the planned European single currency.

fighting it alooe: Matif, the fierce opponent in a battle that could potentially lead to some European exchanges disappearing - or at least being relegated to the side-

It is too early to predict the effects of Emu oo derivatives exchanges, but experts agree that it will lead to the decline of some products.

While futures and options oo individual shares and share indices look set to survive Emu unaffected, a majority of products linked to short-term interest rates will undoubtedly suffer severe falls in trading vol-

"The shorter the maturity of the broduct, the more it will suffer," Jörg Franke, a member of Deutsche Borse's executive board, receotly

He explained that futures on very short-term rates would be condemned as a result of the disappearance of the underlying currencies: wben the D-Mark and the French franc, for example, are hoth replaced by the euro. Matif's Pihor and DTB's euromark futures will automatically become identi-

cal products. Longer-term instruments such as the notional and hund futures - both of them contracts on 81/2 to 101/4-year bonds - have better chances of surviving. They will con-tinue to fulfil different needs, because the underlying instruments - French and German government bonds - will retain separate identities.

This is due to the fact that although the bonds will become denominated in the same currency, the euro, they will retain different characteristics such as credit quality, liquidity and supply

"A euro future would not be a perfect hedge against any hond position in a single government, hut only against a basket of cash government honds", said analysts at Lehman Brothers in a recent research report.

A majority of analysts agree on the following likely scenario for the listed derivatives landscape after 2002; One and three-month interest rats futures: one contract for each maturity, denominated in the euro, will in all likelihood have replaced existing products (Pihor, euromark, etc.) for all curreccies participating in

■ Intermediate (3 to 5 years). loog-term (7 to 10 years) and very long-term

Experts agree that (20 to 30 years) bond futures: existing contracts will remain, but most will suffer falls in liquidity as one or two products dominate.

Opinions are more divided regarding the transition period between 1999 and 2002 during which national currencies will co-exist with the

Phil Rivett, chairman of the capital markets group at Coopers & Lybrand, believes that hy 1999 most exchanges will have followed Matif's lead and Issued products denominated in euros to trade in parallel with existing contracts denominated in national currencies. "Some of them are bound to fail", Mr Rivett says. "There These markets will not he are too many exchanges ighting it alooe: Matif, the competing" for a declining French futures and options number of contracts. As exchange, is likely to prove a some contracts disappear some contracts disappear and "liquidity is transferred oo to other products". he adds, "competitive pressures will drive trading costs down, to the benefit of end users"

This view is sbared by Mark Fox, chief European strategist at Lebman Brothers. "A strong case can be made for standardisation of the current futures markets", he said recently. "In the smaller bood markets, a

merger could be justified." Amid the consensus that markets will cooverge towards a limited number of heochmark contracts, the opinion of Julian Jessop. chief European ecocomist at Nikko in London, stands out. He helieves that over the transitioo period, there will still be demand for cootracts denominated in national cur rencies, eveo io countries

committed to Emu. "The chances of one currency leaving the system between 1999 and 2002 are small, but not negligible," he says. "After all, other fixed exchange rate systems such as Bretton Woods have broken up before." Mr Jessop believes some investors will always want prodhedge against such occurrences. "Liquidity will be limited," he admits. "which could possibly drive some of

Meanwhile, preparations point to more of an 'all-or-nothing" scenario, with each exchange seeking outright domination on euro futures.

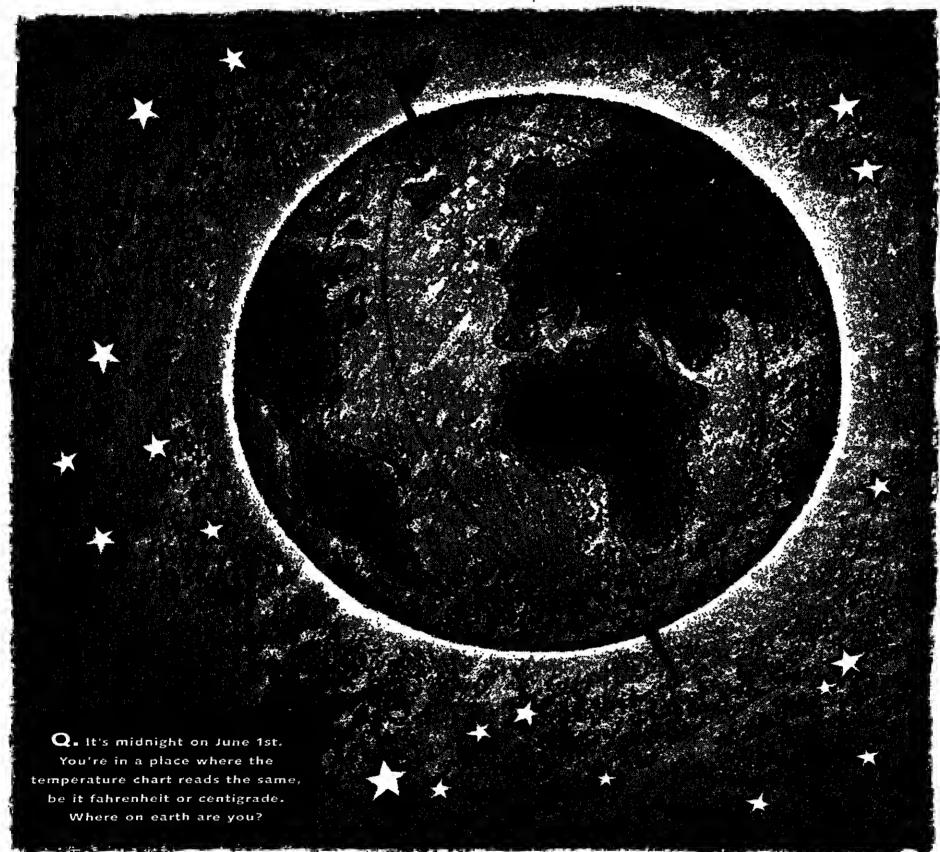
Liffe was the first to take public measures when It announced last spring that its products expiring after the start of 1999 will settle in euros (provided the currency in which they are denominated is committed to Emul. hut the move was closely followed hy similar decisions hy competing marksts. Matif, meanwhile, took a further step when it announced it was creating a range of products in euros covering all maturities of the yield

And DTB has made it clear, on several occasions. that it was relying oo its electronic trading system as opposed to other markets' open outcry - to gain market share hy offering the lowest trading costs.

Which atrategy will prove most effective is far from certain. The only certainty. according to Mr Rivett, is that "the market will

decide. The top short-term interest rate futures in Europe

Annual average daily volume (*000) Euromark (LIFFE) Short Sterling (LIFFE) PEOR (MATTE) Eurolies (LIFFE)



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Future looks brighter for EU farm futures

The CAP reforms suggest that there may be a huge potential for

A CONTROL OF THE PARTY OF THE P

The dismantling of the Common Agricultural Policy is being viewed by futures exchanges around the world as a golden opportunity to move into the European

It is far too soon to talk of controls has been implemented as a result of the 1992 CAP reforms, but this is a small step in a highly regulated market.

"Reading what will hap-pen to the CAP is the most

difficult part of the equation in planning new products," said Clive Furness, director of commodity products at the London International Financial and Options Exchange.

US futures experts believe there is huge potential for growth in agricultural futures contracts in Europe. Paul Knapp, president of Chicago-based Catalyst Institute, a research organisation specialising in markets and financial institutions, said the US was far ahead of Europe.

Farm-related futures in the US consist of 37 contracts on 18 commodities, traded on seven exchanges. By comparison, the four European exchanges - in London, Paris, Amsterdam and the citrus futures exchange in Valencia - trade 18 contracts on nine commodities. "The US has twice the number of contracts, on twice the number of commodities, and does 17 times

Knapp said recently.

Liffe trades the most successful European wheat futures contract following lts merger with the London Commodity Exchange in September and is looking to develop new contracts in advance of any loosening of the CAP. Other exchanges such as Paris's Matif are jostling to position themselves for growth in the European agricultural derivatives mar-

Wheat futures has been listed on the LCE since 1924, but the contract has endured long periods of inactivity when grain prices have been

fixed. . In the past couple of years, the 1992 CAP reforms have reduced guaranteed prices for whaat and channelled more funds into direct payments to farmers. This has led to more fluctuations in the market price of wheat in bas become more active

again and trades an average of 400 lots a day. The contract's volume is

still dwarfed by the busier financial contracts and even other commodities such as coffee, but it has traded up to 1,000 lots on a busy day. Last year contract volume accounted for twice tha amount of feed wheat produced in Europe.

"We are getting more interest from Europe as the contract is a good correlatlon with the Rouen spot market," said Mr Furness. Liffe is considering whether the contract is suitable for attracting a wider group of European users or if it needs modifications

We are asking ourselves whether we are already trading the European wheat futures contract and do we just need to broadan our marketing and education efforts?" said Mr Furness. In July, Matt Isymched its

own wheat futures contract.

following changes to French law which were passed in June to allow speculation in wheat for the first time since 1936. The exchange which is better known for its finan-cial products, developed its first new agricultural derivatives product two years ago and launched rapeseed futures in October 1994. Matif argues that there are a number of market users who are interested in both rapeseed and wheat and also that France's position as an important grain producer new contracts. will give it a competitive

futures contracts in white tracts and this could be sugar and potatoes after it extended to the agricultural merged with another complex once it is up and exchange in 1988. running. This would give But competition for the Liffe contracts access to the leading grain futures prod-uct is growing. The Nether-

Liffe and the CBOT are

vast pool of speculative funds in Chicago. lands has launched its own Mr Furness will be preswheat futures contract. The enting a development plan Chicago Board of Trade, the for commodity products to world's largest futures tha Liffe board on November exchange, is advising mar-19, laying out plans to kets in Warsaw, the Ukraine, increase volume in existing some Asian countries and contracts and ideas for new even Turkey on starting up developments.

The exchange is considering plans for olive oil futures discussing a trading link for and the creation of a soft edge.

discussing a trading link for and the creation of a son.

The exchange also trades their financial futures con- and agricultural commodi-

ties index based on a weighted basket of futures contracts. Mr Furness is also looking at futures on tea and rubber which were previously listed on the exchange, but have been discontinued.

"It is impossible to know what is viable until we do the research, but we are giving dne consideration to a number of projects," Mr Furness said.

US futures experts recently urged European commodity exchanges to make strategic alliances and give farmers in the EU the they can get.

need as governments with draw financial support for agriculture.

Lamon Rutten, responsible for risk management policies at the UN Conference on Trade and Development, said trade reforms and the eastward enlargement of the EU meant that "within a decade, (farmers) will have to learn bow to stand and walk on their own".

in the new environment, farmers are going to need all promote new contracts to the risk management bely

growth in Europe

market for farm derivatives. European Union farmers and food companies are taking more of an interest in hedging as price controls are relaxed and the market is slowly opened to free trade. free markets with regard to EU agricultural commodities. Some relaxation of price

Exchanges: by Laurie Morse

Liffe sets its sights on the No 1 spot

In 2000, there will be just one dominant futures exchange in Europe

European futures exchange executives have only to look at their money-market contracts to see their own future these days - the European economic and monetary union (Emu) may not arrive until January. 1999, but for the derivatives industry, that future is now.

Yield curves for Matif's Pibor (Paris interbank rate) contract for delivery in March, 1999, and Liffe's (London International Financial Futures Exchange) euromark contract for the same expiration, are showing a rather neat convergence, a factor made more significant . by the fact that both will settle in euros if the currency union remains on

The converging charts for French and German money markets show that traders who must bet their money on the future are counting on monetary union. A single currency in Europe almost certainly means consolidation in the derivatives business worldwide, and the futures exchanges will not

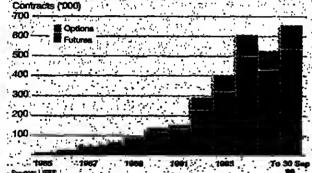
be excluded from this trend. At the end of the century. just four years bence, there will be just one dominant futures exchange in Europe. The remainder will be relegated to trading equity derivatives and a few lowvolume long-term government debt contracts, most likely under the umbrella of their domestic bourse. The chief executives at Matif, in Paris, the DTB (Dentsche Terminbose) in Germany. and Liffe in London are well

aware of this. "We are already competing for 1939," says Gerard Pfau-wadel, chief executive of the Matif. "The battle does not fall in 1999 – the battla is now, or more specifically,

The Liffe, positioned as it is in the midst of the busiest currency and money markets in the world, straddling the globe's three major time zones, is likely to be the victor in the battle for European futures trading post-Emu. Already the largest futures exchange in Europe. the Liffe is making plans for growth far beyond 1999.

keep business level with last year's disappointing results. Liffe's volume is up 24 per cent through October 31, at 140.9m contracts. That is still behind the 189m traded same period, but the gap is rency futures volume (26.9m

LIFFE annual average daily volumes



beginning to narrow.

will be the world's large America.

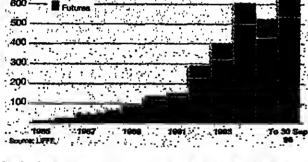
during European business hours. Furthermore, with its London Exchange subsidiary. Liffe is of the projected growth in grain and soft commodities trading in the European

The Investment Services Directive, effective this year. is also expected to put more trading screens from foreign exchanges into London. This. Liffe executives say, will simply serve to consolidate London as a global

Liffe's drive toward hege-mony has not escaped the leadership at Chicago'e two "Liffe's growth is awesome, and it has a tremendous time zone advantage," says the Chicago Board of Trade: house reduces expenses (for member firms) and the benign regulatory environment in the UK is another

However, Mr Arbor, and his counterpart at the Chicago Mercantile Exchange, John "Jack" Sandner, do not waste much time these days This year, while US looking over their shoulders exchanges are struggling to at the Liffe. A slowdown in at the Liffe. A slowdown in Chicago trading volume, and intense pressure by their institutional memberships to cut costs has caused them to examine their traditional businesses and their bud-

Trade, the world's busiest The CME stands to lose electronically. Mr Gilmore futures exchange, for the what is left of its foreign cur-



futures exchange post-Emu." Liffe has plotted a strategy that includes dominance in Europe and links to important exchanges in Asia and

It already has an electronic link with Tokyo for Japanese government bonds, and next May intends to with the CBOT that will put US Treasury bond futures trading on the Liffe floor Commodity positioned to take advantage

derivatives trading centre.

big futures exchangea. Patrick Arbor, chairman of "London's unified clearing

contracts so far this year) to Daniel Hodson, Liffe's the Emu Even more worrychief executive, made it ing, its Eurodollar futures quite clear recently that he contract, which represents is gunning for the top. "I more than 60 per cent of the think I can say that Liffe CME's business, is skidding. with volume down 2 cent for the year to October 31. The CME's only foreign linkage, with the Singapore International Monetary Exchange, is built on euro-dollar trading.

Industry analysts say that after more than a decade as the cheapest and most liquid venue to trade eurodollars. open an open-outcry link the CME futures contract now has serious competition from interbank contracts.

Recognising the convergence between its own contract and off exchange instruments, the CME is presubsidiary, technically a sort of bank, to act as a custodian for collateral used to back interbank swaps con-

With customers such as Merrill Lynch and Bankers Trust already signed on, CME executives believe they have hedged their future to serve bank interest rate traders either through custody arrangements or through the exchange's listed products.

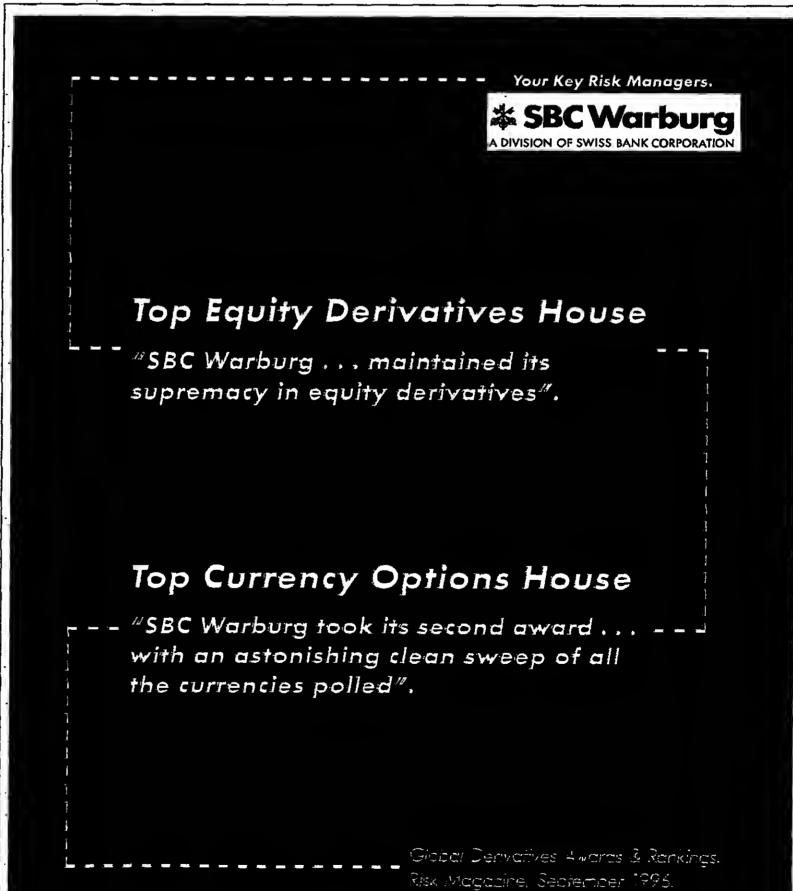
The CBOT is also looking to the cash, or bank, markets for growth, Sometime next year it expects to open a subsidiary called Chicago Board Brokerage, which will allow exchange members direct access to the cash US Treasury markets, and will include some collateral management services.

The link with Liffe is a key component in the CBOT'a attempts to internationalise However, the link will be less important in 1997 than it was in 1994 when the partnership was first announced, says John Gilmore, a retired pariner at Goldman Sachs and a former chairman of

the CBOT. With volume on electronic trading systems picking up worldwide, it would be cheaper, and easier for the CBOT and the Liffe to simply offer their products on each other's trading floors

The CBOT has invested

\$184m in a new trading floor that will open next February, in part to accommodate the Liffe contracts. The Liffe is also refurbishing space in the City of London. Botb exchanges have a firm commitment to open outcry trading. However, executives at both institutions acknowledge that while face-to-face trading is best for estabing is the method of choice for any new ventures going



Volume, in	CONTINUES, ICE OF	3 702 10	
Exchange	1995	1996	% change
	161,026,010	170,487,642	+ 5.9
CBOT, US :	160,735,488	154 125,987	-4.1
CME, US	99,603,195	120,432,019	+20,9
LIFFE, UK	109,899,530	104,777,367	-4.7
BM&F, Brazil	79,310,420	67,235,050	-15.2
CBOE, US	56,263,119	57,341,639	+1.9
NYMEX, US	52,093,935	51,362,504	-1.4
MATIF, France	38,635,595	48,423,164	+32.2
OTB. Germany	100,045,619	48,223,418	51.8
BBF, Brezil	25 002 310	34.807.087	· -0.7

Top 10 futures and options exchanges

Crisis control proves difficult

Putting a safety net around the market is akin to catching rain water in a sieve

Derivatives regulators around the globe have been working furiously since the Barings Bank collapse in 1995 to put in place a global framework for dealing with financial market crises. Bar-ings illustrated that money, and derivatives positions, can move instantly from country to country and leave land-bound overseers - regulators or corporate supervisors - struggling for control

A number of international co-operation agreements were forged in the Barings aftermath, under the auspices of the UK Securities and Investments Board (S1B), the Commodity Futures Trading Commission (CFTC), the Futures Industry Association Task Force on Global Integrity, and the International Organisation of Securities Commissions (IOSCO).

Nearly all the co-operative agreements, which centred on information exchange, were voluntary, and dealt helpfully with priorities and contacts in the event of another full-blown derivatives crisis. However, the run-up to the copper market turmoil that left Japanese industrial giant Sumitomo with losses of at least \$2.6bn demonstrated that trying to put a regulatory safety net around the global derivatives market is akin to trying to catch rain water in a

Political issues and market jealousies prevented crossborder information sharing about activities in the copper markets before Sumitomo's positions contributed to the market crisis, and even interfered with information exchange in the first days of the copper market

All the regulators involved in the Sumitomo affair - in Japan, in London, and in the US - say that the international accords after the Barings debacle worked well during the copper crisis.

However, it is clear from correspondence between the CFTC, the chief derivatives

tion about London Metals did not take place until after the crisls bad already occurred, despite the CFTC's concerns about unusual price activity six months before the copper market

Brooksley Born, the new chairperson of the CFTC, told a congressional hearing in Washington in September that while internstional co-operation has improved remarkahly between regulators, more needs to be done to allow foreign jurisdictions to exchange information when markets are not yet in

Furthermore, David King. chief executive of the LME, said he felt legally constrained from sharing any market information with the US after the Sumitomo losses were made public. because laws which allow gulatory information to be released to the public are more liberal in the US than We are very circumspect

ahout what we give out, because information is a one-way street. Once it goes one can't control it," said Mr King in an interviaw. He finally agreed to share LME information with US regulators hecause "as part of the process, we've established with the CFTC that what we share is sacro sanct, and won't find its way into the public domain".

He adds that co-operation agreements are only as useful as the level of trust they confer. "In a global market one needs to have mechanisms for international communication, but one has to make certain the channels of communication are secure,'

The SIB and the CFTC are still reviewing the events that led up to the copper market crisis last spring. No specific market reforms for the LME or over the counter metals markets bave been suggested. However, a group of commodity futures regulators from 18 different countries will meet in London late this month to discuss the special considerations raised by internationally-

traded physicals markets. Remarkably, the Sumitomo incident, following so regulator in the US, and the driven policy makers to necessary, but the provision UK's SIB in late 1995, that advocate stricter laws gov. Is nevertheless part of the open exchange of informa- erning derivatives. Instead, new bill.

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Exchange copper markets and the UK to rationalise confusing regulatory structures that govern derivatives instruments, and to ease regulations where they seem to be constraining competition.

In the US, the CFTC and the Securities and Exchange Commission are working on clarifying the Treasury dment, s 1974 addition to the CFTC's enabling legis-lation that excludes foreign exchange contracts and some securities transactions from the CFTC's supervision. The issue has proved controversial, with over-thecounter derivatives dealers seeking further assurance that the CFTC will not regain jurisdiction over the interbank markets.

Separately, the US congress next year will begin the first overhaul of the Commodity Exchange Act, which governs the CFTC, in four years. Senators Richard Lugar and Patrick Leahy introduced their proposal for revising the CFTC's charter in September, and the agency and most of tha futures industry is now in the midst of reviewing the legislation.

US futures exchanges, particularly the Chicago Board of Trade and the Chicago Mercantile Exchange, issued delighted responses to the Lugar/Leahy proposals, mostly because the Senators bave taken a view that regulatory relief is necessary for US markets to compete with upstarts overseas

Specifically, the Lugar/ Leahy bill would eliminate the extensive review process that is required before a US futures exchange can introduce a new contract, allowing new prodoct introductions in as little as 10 days after they are announced.

Similarly, the senators would have the CFTC consider both the costs and benefits of any proposed regulations, with an eye toward limiting the costs of oversight to exchanges and their Finally, the legislators

would give the CFTC rights to demand information from warehouses in the US that serve as delivery points for foreign commodity markets - a reaction to the Sumitomo crisis. The CFTC has closely after Barings, has not said such powers are not

■ Emerging markets: by Nick Reed

Investors seek wider horizons

indices and pays a floating

rate of interest - investors

can achieve the equity price

exposure they want without

actually owning the underly-

ing shares, which avoids the

ownership limit rules. This

has been especially popular in Korea and Taiwan, where

overseas investors cannot

hold more than 20 per cent

of the shares in listed com-

panies. Another popular method of investing is for

"certificates", which give

investors share price expo-

sure without share owner-

ship, and are often denomi-

nated in major currencles

such as US dollars, D-Marks

Mr Geraghty says: "The

sltuation is at an early

enough stage that emerging

market derivatives are still

largely about market access:

How do investors get access

to a particular equity mar-

ket? How can they access a

specific point on a particular

yield curve? Do they want

currency protection overlaid

As economic fundamentals

when they are doing so?"

Emerging market derivatives are the big growth area in banking today

The major currency markets' least volatile phase in living memory and historically low yields in the Group of Seven (G7) countries are forcing investment managers to look further afield to boost returns on their assets. In short: investors need the higher returns offered hy more risky emerging markets, but do not necessarily want all of the risks associated with those invest-

For example, in September JP Morgan launched an issue for German investors based on Ecuadorian Brady bonds (repackaged loans whose principal is collateralised with US Treasury notes or bonds) hut denominated in D-Marks. The investors wanted exposure to exotic Ecuadorian debt without the currency risk of a US dollardenominated asset. The DM150m seven-year issue carried a coupon of 12.25 per cent and was structured by swapping the US dollar cash flows from the Ecuadorian debt into D-Marks.

Huge numbers of investors and importantly now Japanese investors - are turning to eastern Europe, Latin America and Asia for new opportunities, and derivatives are playing a larger part than ever in implementing investment decisions. For bold investors, rapid economic reform and deregulation in these regions are providing potential returns not available at home.

However, investing in developing markets is often more complicated. And it is big business to trade the derivatives that simplify it. investor receives the gains A quick look at the financial

that emerging market derivatives are the big growth area in banking today.

Peter Geraghty, head of emerging market derivatives at ING Barings in London, says: "There are many investors out there who are sophisticated enough to replicats these synthetic structures for themselves. However, when there are issues involved such as custody, settlement, licensing and contacts in the market, it can be easier to buy the whole product from an intermediary. It can take the hassle out of investing in emerg-

Derivetives play a dual role for investors in emerg-ing markets. First, they provide a way of hedging unwanted risks associated with investments, such as currency risk or interest rate risk. The best example is the "tequila effect" of the Mexican peso's devaluation in December 1994, which sent a wave of selling pressure through the emerging currency markets.

Investor appetite for credit exposure is increasing as the credit quality of many sovereigns and corporates rapidly improves. By using swaps. they can hedge ont the unwanted risks while still benefiting from improving credit quality. In Asia, up to threa quarters of all bond investing involves swaps of

Second, they can allow investors to access markets where restrictions would normally prevent them from huying securities. For example, in the equity markets of Russia, the Czech Republic, Taiwan and Sonth Korea there are restrictions on the size of holdings foreigners may take in local companies. By entering into equity swaps - swaps where the

improve, governments in developing economies are revamping their borrowing structures, making investing and derivatives trading more straightforward. As credible or losses on certain shares or

mark bonds are needed in order to price and hedge Russia is expected to issue

a US\$300-500m eurobond soon, after obtaining credit ratings just below investment grade from the large ratings agencies on October 7. The Ukraine hopes to follow suit early in 1997 and is king ratings and approvals from the International Monetary Fund (IMF). In April this year, Mexico exchanged its Brady bond debt for US\$1.75bn of 30-year global honda. Brazil and Argentina are next in line for "de-Bradylsation". In Asia, the Philippines is conaidering its first international eurobond denominated in Philippine peso.

In addition, supranational agencies such as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) are actively developing local currency and debt markets by issuing debt in the local markets and then swapping the proceeds out into US dol-

It is not only ownership rules that prompt investors to use derivatives. The currencies of many emerging economies - notably China, Russia, Poland, Hungary. Taiwan, South Korea, the Philippines - are still not fully convertible. In these countries hedging instruments, known as non-deliverable forwards, bave been developed that allow investors and overseas companies with local assets to bedge their currency exposure to these markets and receive cash settlement in their own currency (often US dollars). John McNiven, co-head of

investment banking at Mer-

benchmarks are established, rill Lynch in Hong Kong. derivatives activity will says: "C7 countries have grow, say dealers, because fully convertible currencies liquid government bench- and established bond markets with little investing impediments in the form of withholding taxes. This is often not the case in emerging markets, particularly in Asia. Derivatives can often facilitate investments that otherwise may be too costly or simply not possible."

The growth in trading of emerging market derivatives has not gone unnoticed by the large US futures exchanges, although their attempts at llating Brady bond products have so far been unsuccessful. The Chicago Mercantile Exchange already lists futures oo the Mexican peso, Brazilian real and the Mexican IPC stock index and plans to extend its range of emerging market products with a Taiwanese stock index future early next

In contrast, the Chicago Board of Trade is husy forging alllances to develop domestic futures exchanges in emerging markets, and has already signed development agreements in Argeotina, Taiwan and Poland.

But for many developing countries, independently establishing a futures exchange is a matter of pride. Brazil's Bolsa de Mercadorias & Futuros (BM&F). which lists futures on the Bovespa stock index, Brazilian Brady bonds, interbank deposits and clears interest rate and exchange rate swaps, has traded since 1985. More recently, Malaysis, South Korea, Hungary and Slovakia have opeced up futures or options exchanges with mixed results. Mexico's Bolsa Mexicana plans to launch IPC stock index futures, peso/dollar futures and interest rate futures within weeks. Nick Reed is Asia Editor at Risk Pub-lications in Hono Kono.



An important new frontier is opening

The total notional value of credit derivatives outstanding has reached \$39.2bn

Financial engineering techniques developed successfully by banks in the interest rate and currency markets are being transferred to the credit markets. opening an important new frontier for the derivatives

Although growth has been slow with publicity about the new products still ahead of underlying levels of activlty, there are signs that the number of credit derivatives transactions is rising. Data indicating the size of the market is hard to come hy but according to a survey of six big derivatives brokers. published in June this year by Risk Magazine, the total notional value of credit derivatives outstanding has reached \$39.2bn.

The segmentation of the world's credit markets - in particular, the division between the loan markets dominated by banks and the bond market dominated by institutions – creates pricing inefficiencies and has allowed financial engineers to develop an array of new products. These include dafault options, a kind of credit insurance which pays out if a country or company defaults on a loan or bond and a variety of structured notes and so-called "total return swaps", in which the return from a credit is exchanged for one based on

a fixed income spread. Many of these instruments also allow investors and traders exposure to the performance of a credit without supplying the capital to buy a bond or loan in the first

These derivatives were originally developed by banks as a means of managing their credit risk more effectively. David Friedman, executive director credit fixed income at SBC Warburg, points out that bank exposures tend to be concentrated sectorally and geographically. "The use of credit derivatives allows from which the US zero-couand management of axposure," he says.

years a significant fector ment banks have issued behind the development of tha markat has been the special purpose vehicles demand of investors for sometimes denominated in higher yielding paper at a D-Marks rather than dollars

time of falling interest rates and yields. At the same time, lower volatility has reduced the potential trading profits zine more than balf the available from interest rate credit derivatives outstandand currency markets, ing - or a total of \$22.8bn in prompting an acceleration of notional value - are based product development within

Banks have begun to meet this demand by issuing to investors structured notes and total return swaps which contain selected elements of the underlying corporate bonds, syndicated loans and emerging market debt which they hold on their balance sheets. These instruments are effectively customised to meet particular investor requirements. For investors these "cus-

tomised" products have a number of interrelated attractions. They allow investors to gain access to markets - such as the syndicated loan market - which would previously have been inaccessible, allowing them to diversify more effectively. They also help investors to take advantage of the disparities in the way that credits are miced in the loan bond and equity markets. In addition, they provide opportunities for investors to gain exposure to a credit without having to accept the interest rate risk associated with

holding a company's debt. So far, most of these products have been developed in the emerging debt markets, where the risks and attractive returns offered by Brady honds - issued by developing country governments in mercial bank debt - have generated significant interest. Brady bonds are denominated in dollars, have long maturities of up to 30 years and are sometimes guaranteed by US zero-coupon Treasury bonds. But, by repackaging the bonds dealers have been able to offer a variety of emerging market investments with different characteristics tailored to suit investor needs. Investors can buy a structured note with a shorter maturity, for exam-

Alternatively, the yield on Brady paper can be enhanced by issuing a note more efficient risk transfer pon collateral has been stripped or notes issued in different currencies. This But over the past two year, a number of invest-Brady bond notes through

Correlation products - and aimed at the European retail eurobond market. According to Risk Magaon emerging market bonds.

Options triggered by the price or the spread of a Brady or other emerging market sovereign bond over US Treasuries account for some \$7.5bn of these transactions, while the value of total return swaps amounts to about \$5bn. Default puts, in which payment is trig-gered by default of a third party, have also been popular, amounting to about \$5bn

in notional value. James Orbell, director at Credit Suisse Financial Products, says that his bank has sold this type of option to construction companies engaged in huilding infrastructure projects in emerging markets. In some cases these instruments have been used to supplement insurance from export credit rat- to "warehouse" trades and ing agencies which someenter into cross hedges

RISK

2,500 250 12,500 7,800 5,000 10,500 2,000 6,000 10,350 6,050 22,750 39,150

Credit derivatives: estimates of the

times does not cover the full "managing risk on a portfo-amount at risk." "managing risk on a portfo-lio basis in the same way

Bank accounting policies and illiquidity has stemmed the pace of development, but bankers point to the embryonic two-way business, a development which should gather greater momentum as a result of plans by the international Swaps and Derivatives Association (Isda) to introduce standard documentation.

"People are becoming more familiar with these types of structure. Once everyone is happy with the way the terms work it clears the path for the market's development," says Mr Friedman at SBC Warburg. Writing recently in Risk Magazine, Charles Smithson and his colleagues at CIBC Wood Gundy in New York, say that dealers have begun

The world's leading financial risk management magazine covers all the crucial issues surrounding the derivatives industry every month:

· Market risk · Pricing and hedging techniques

that an interest derivatives book is managed".

In future, dealers expect derivatives to enhance the efficiency of credit markets. In the same contribution to Risk Magazine, Mr Smithsoo and colleagues sald this could happen in "much the same way as collateralised mortgage obligations (CMOs) promoted more efficient original ination and bolding of mortgages". CMOs permitted the risks of mortgages - originated and serviced by savings and loans institutions - to be transferred to other investors, who could hold them more efficiently. "The same thing is happening to bank loans as non-traditional investors gain access to the loan market via loan swaps," wrote the specialists.

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212-834-4440 © 1996 The Chase Manhattan Corporation Currency derivatives: by Richard Metcalfe

Forex options in the long term

The return to form of most listed derivatives has not extended to currencies

The currency derivatives business baa never been busier. But you would not know it from the figures reported by the world's futures exchanges. And the clearest thing of all is that, with the obvious exception of exchanges' manager nobody seems to think there is anything untoward about this situation.

Three contracts on the Chicago Mercantlle Exchange (CME) regularly trade more than 1m lots every month, and not one of them is a currency contract (see table). And no exchange has a better track record than the CME in listed curreocy derivatives, which nurtured and grew off such business in its early days. (Brazil's Bolsa de Mercadorias e Futuros lists a dollar/ real future that has begun to trade significantly higher volumes, but participation is almost purely domestic and many commentators doubt whether this level of activity is sustainable.) All of the Philadelphia Stock Exchange's range of contracts. which is the next broadest after the CME's, are languishing at around 50,000 lots a mooth.

Moreover, the eituation is steadily deteriorating as far as exchanges are concerned. Futures volumes dropped across the hoard in 1995. But, if Brazil is excluded. those of key listed currency derivatives have been slipping since they peaked in 1992-93, in a period when futures husiness more broadly was growing (see table).

As a proportion of overall business, the trend is clear. And the return to form that most listed derivatives have seen in 1996 has not extended to currencles, where volumes are set to be

even lower than in 1995. Figures for the over-thecounter (OTC) markets offer a meaningful if imperfect comparison.

Those compiled hy the international Swaps & Derivatives Association (ISDA) in New York are the best measure of a relatively opaque market and they suggest that currency swaps husiness is growing again, after a slack period when capital requirements to cover credit risk seemed to be restricting the use of long-dated forex contracts. In 1995 it was up 20 per cent on 1994 in terms dollar value.

ISDA figures offer lese detail than those from exchanges. In particular, they lump together a number of unnamed currencies, constituting a tenth of total business, where the growth has heen most dramatic, shooting up 550 per cent. But even these vague statistics

		rate derivatives. The
Contract comparison		vast majority of busing
Contract	Jan-Sept	lar interest rate swap
Eurodoltar future	79,915,522	ultimately be broken into one of a limited ra
Eurodoller option	16,317,668	fundamental compone
S&P 500 future	15,370,994	which futures tradin
		ume can concentrate;
S/DM	4,766,058	pally, short-term con
E/Y	4,119,985	(such as Eurodollars
I/E option	2,580,722	longer-term one (su
Source: System	matics International	T-honds), in this en

tell a clear story. Above all, they show the crucial advantage that flexibility gives to the over-thecounter market. For the anecdotal evidence euggests that much of this phenomenal growth in currency swaps involves currencies that are, in derivatives terms, "emerging", particularly in Asia.

And, while there is no good reason why exchanges should not go out and list contracts on such currencles, in practice they face a number of constraints. In the US, the regulatory

process for bringing new contracts to market is slow and cumbersome. Elsewhere,

exchanges simply do not bave the credibility in forex contracts, tending only to list the local currency against the dollar, to complement bigger hond, stock index and interest rate trading. In all cases, launching new contracts has costs, which reduces room for manoeuvre.

Yet forex trading is one area where you need to be able to move quickly, as it tends to shift suddenly from one curreocy pair to another. And exchanges nowadays face a confidence hurdle, whereby a contract must succeed very visibly in volume terms, or else he labelled terminally illiquid. In forex, that hurdle gets bigger with every trade that goes into the OTC market where there is no such pressure for a cootract to per-

This situation is different from the market in interest US dol-LDS CAL down. ents in ng volprincintracts uch as nvironment, futures and OTC contracts mutually support each

In forex, while a relatively small number of bouses dominate, the business they transact is more diverse, leaving less opportunity for concentration of volumes.

For all this, exchanges have not yet given np. Phila-delphia, for example, is putting all its weight behind cnrrency options, allowing more flexibility in the terms on which any single deal is traded. And, in an extraordinary move, the CME has been hiring traders to make markets in currencies on the Glober

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out-of-bours system. Some see this as recognition of the approach taken



	ntract volume			
	1992	1993	1994	1995
Currencies	55	62	94	125
Currencies"	54	55	55	50
Total	1,896	1,115	1,636	1,796
Proportion (%)"	2a	4.0	3.4	2.8
* Excluding Bresit's BMAF		San	oe: Systematics	intermedione

by the New York Cotton Exchange'e financial markets subsidiary, Finex. Finex has set up a Dublin floor and bypassed locals - the individuals who trade on their own account on many exchanges. Its stated aim is to tap straight into the (Loodon-based) interbank market, where the big currency trading takes place, Volume figures have yet to prove this approach right. But many hig currency operators, weary of the obstructive attitude of other

exchanges towards instruments such as exchanges for physicals, like the idea. Finex has taken the argument to the market, commissioning a study which shows that the bquidity is there, even though volumes are their advantage.

Finex hopes to gain a workable share of the overall forex derivatives market - not reverse the balance of power between OTC and listed markets. This would seem wise, since the OTC markets now seem to be many steps ahead of what is

The sheer range of products in the forex area is the main characteristic, with increasing integration of business lines supporting complex interactions between epot, standard options and exotics.

possible on exchanges.

The latter is a rapidly developing market, along with instruments which exploit the correlation hetween currencies and other asset classes.

Exotics, which are less heavily traded than plain vanilla options, forward contracts and spot forex, are one area where superior risk managers can still prove

Exchanges will prohably end up retaining a small role in forex derivatives, though it is possible that business shifts completely OTC.
Richard Metalle is editor of Putures &
Options World. Equity derivatives: by Richard Irving

Europe opts for hedging

guarantees are helping crush apathy to share ownership

record DM15bn privatisation of German telecommunications giant Deutsche Telekom is proof that equity derivatives have come full circle.

Not so long ago, simple plain vanilla instruments such as exchange-traded stock index futures were blamed for creating stock market volatility and ultimately exacerbating the global crashes of 1987 and 1989. Now derivative structures are central to a range of initiatives designed to attract risk-averse private shareholders to the world'e equity markets.

By offering downside indemnities or principal protected guarantees, financial institutions hope to crush a long-standing apathy to share ownership in Europe. Even Japan's ministry of finance is close to relaxing stringent rules which pre-vent domestic institutions from tapping demand for linked products.

Both Commerzbank, the Frankfurt-based money bank, and UBS, the investment banking arm of Union Bank of Switzerland, claim that principal-protected structures launched ahead of the Deutsche Telekom float have exceeded all expectations. Commerzhank's Safe-T product, for example, guarantees to reimburse shareholders if the share price trades below the issue price on the day of the company's annual general meeting in 2002. In return for this pledge, the bank retains all stock dividends and tax credits as premium income for writing what is in effect a simple six-year at-the-money

UBS, meanwhile, has been working with senior manrement to create a similar structure for the company's 280,000 employees which not only guarantees participants from any loss for the first five years, but which also gives them access to a prethem to leverage their initial DM300 stake up to DM1,500. According to a source at UBS's corporate structuring group in London, as much as 80 per cent of the workforce has already signed up for the scheme, compared to previous take-up levels of around 20 per cent in past issues. Indeed, so successful has the issue been, that a number of other corporations in Germany, including Lufthansa, the national airline, and car manufacturer BMW are

runoured to be considering aimilar initiatives. The real potential for principa' rotected structures lies n t with smaller sharebolder or even employee schem 3, but with institutional investors such as pension funds and insurance companies which buy the concept pre-packaged in the form of equity-linked notes.

Typically, the notes are

structured in such a way eo that the pay-out is linked either to a basket of closely correlated stocks or a broader stock market index. The investor waives part or all of the coupon which goes towards purchasing at the money puts on the underlying exposure for the life of the bond, usually three to five years. Dealers say the notes have become increasingly popular with fund managers who bave been caught underweight in equities this year and who have subsequently struggled to

match key henchmarks in terms of performance. "Since the beginning of the year, equity-linked husi-ness has grown between 40-50 per cent over the previous year." says Francois Pham Quang, bead of European equity derivatives marketing for NatWest Markets in London. "The biggest interest has undonbtedly been in the traditional retail markets but we are beginning to place Issues in periphery countries that are

opening up to more equity." But against a background of low interest rates and rising volatility, notes such as these are becoming harder to structure: "When five-year interest rates were trading around the 7 per cent level,

Principal-protected arranged credit line allowing investors were foregoing enough coupon to make the purchase of options viable. But with rates down to 5 per cent and volatility set to trend upwards, there's not enough premium around to fund the option." Mr Pham Quang explains.

benchi

Providers are also struggling to structure equitylinked notes with maturities that more accurately match the liabilities of potential customers: "The greatest challenge to the wholesale market right now is to make equity-linked notes more suitable for insurance companies and pension funds, explains Andrzej Rojek. aenior managing director and global bead of equity derivatives for Bankers Trust in London

Bankers currently sby away from providing longerterm etructures because the risks are deemed too great, he says. "It's one thing writing longer-dated options against 10-year government bonds, where you can make some fairly accurate assumptions about default and liquidity risks. But who can say what will happen to a basket of multinational stocks over the next 15 years? You end up with a position that is almost impossible to hedge.

Dealers say more popular, for the moment at least, are equity swaps where the fund manager receives a total return linked to an index or basket of stocks and pays out a fixed rate pegged to. say, two-year interest rates.

"We've seen investors hook up the play to US Treasuries against the S&P 500 in the States and to the consumer price index against the FTSE 100 in the UK," explains Sanjeev Gupta, managing director for equity derivatives at Credit Suisse Financial Products in London. Again business is hrisk. with year-on-year volumes up 40 per cent or more. Demand has been so strong, that dealers estimate transaction costs (in terms of the spread relative to the London Interbank Offered Rate. or Libor) bave come in around 60 per cent. Richard Iroing is deputy editor of Risk

■ Emu and OTC contracts: by Samer Iskandar

group.

put option.

ro uncertainty lifted

Brussels has gone some way to eliminate confusion over definitions post-Emu

Some of the uncertainty surrounding the impact of European economic and mooetary union on the overthe-counter derivatives contracts has been lifted this

Several potential problems bave been eliminated by European legislation or as a result of discussions with professional associations, such as the International Swaps and Derivatives Association (Isda) - which led to provisions for Emu being built into OTC contracts.

Legislation, which followed pressure from profes-sional aseociations and financial institutions - has also helped remove some uncertainties contained in older contracts. We now know, for example, that existing contracts referring to the Ecu will not he affected by the adoption of the euro, because the substitution of the euro for the Ecu has become automatic.

Brussels has also gone some way to alleviate the risk of differences arising over definitions contained in contracts that did not take account of Emu Among the deals that should be spared are those maturing between 1999 and 2002 - when national currencies are used in parallel with the euro. These cootracts will continue to run until maturity, rately. and will be settled in the currency they were denominated in originally, unless hoth parties agree to convert to the euro.

Controversy, however, could still arise in contracts maturing after 2002. Iona Levine, bead of the derivatives practice at the law firm Hammond Suddards, ties". believes "there has been significant progress, but not enough problems have been solved".

in 2002, when national currencies of member states are suppressed, and thereafter, a number of Indices and benchmark interest rates. such as the Frankfurt interbank rates for D-Mark and the Paris rates on the franc, will have ceased to exist. Of course, not all references

bond yields, for example, defined under UK law). will continue to differ due to credit considerations. But a majority of short-term interest rates are bound to be scrapped as they are replaced by a new single rate set by the European central

into existence in 1999. This could lead to some discord, since parties to contracts involving such references are likely to disagree on the choice of a new underlying rate. "Parties [to auch OTC contracts] will have to come up with their own alternatives", says Paul Reyniers, global head of capital markets at AT Kearney the US strategy consultancy

bank, which should come

However, Ms Levine warns that "some participants will always be tempted to make money from this ambiguity". Mark Fox, chief European strategist at Lebman Brothers in London, expects such disagreemants to lead to litigation. "These arguments will probably be tested in the courts," he

Furthermore, and in spite of professional associations extensive efforts, looming problems are likely to prove surprisingly time-consuming for hoth intermediaries andend-users of OTC deriva-

The lack of standardisation in this unregulated mar-ket means that financial institutions will sometimes have to study the effects of the single currency on several different contracts sepa-

"To avoid controversy," Mr Fox says, "further legis-lation is destrable." But it would have to be imposed on a European level because, as Mr Reyniers points out, "the forced deregulation in the market environment is causing a loss of power by the national regulatory authori-

Ms Levine also predicts that further problems will artse "when we start going into the details [of existing contracts]". She highlights some loopholes, or even contradictions, in existing legislation. Shortcomings include the decision by the Financial Law Panel, the Londonbased legal think tank, to recommend that national legislators deal with loose ends relating to the possible

will disappear - 10-year frustration of contract (as these clauses become subject

that legislation governing the continuity of contracts remains too vague, leaving so-called force majeure clauses exposed to misinterpretation. Force majeure clauses were originally designed as a protection against unforeseeable events such as burricanes, earthquakes or power cuts leading to computer breakdowns. But some of them also refer to disappearing currencies, typically in case of war or sovereign bankruptcy. But as currencies are scrapped to be replaced by the euro.

to varied interpretations. Whether a force majeure clause is valid "will depend on bow 'unforeseeable' the legal profession judges Emu to have been when the contract was signed". Ms Levine

Such cases, and others, will undoubtedly keep all concerned - banks, lawyers, regulators and legislators · busy in the coming years.

We are still at the stage of dealing with generalities," saya Ms Levine. "Sooner or later, someone will have to take all affected contracts, look at them very closely and analyse them

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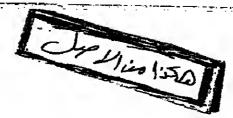
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Risk management: by Samer Iskandar

Quest for a benchmark may be over

VAR seems to be the most likely candidate for universal

recognition In the past few years, and especially since the Barings debacle in February 1995, regulators and financial risk managers have been pushing for more effective risk controls in the use of deriva-

Professionals have repeatedly highlighted the importance of agreeing a common benchmark for risk measurement. However, ss the continued exponential growth of derivatives usage made this goal more desirable, the rising complexity of new products simultaneously made it more difficult to attain. In this environment, value at risk (VAR) has gradually imposed itself as the most likely candidate for universal recognition.

Value at risk is expressed as a simple number, representing - with a chosen degree of confidence - the amount that can be lost on a given portfolio of financial instruments held over a predetermined period of time.

It is not a new concept. Different versions of it have. been used for some time, but the main breakthrough was achieved roughly two years ago when JP Morgan intro-duced RiskMetrics, a risk management system based on the VAR concept, which the investment bank chose to make available to all market participants - clients as well as rival institutions.

"VAR is moving towards becoming an international standard for risk measurement", said Andrew Lese, vice-president of Emcor, a US risk advisory firm.

Phil Rivett, chairman of the capital markets group at Coopers & Lybrand, points out that several European and US financial institutions set up a system that singles have published their calculations ont 90 per cent of opera-

tions of VAR in their latest annual reports. "The issue of market risk is under control, at least among the large financial institutions."

In addition to being recommended by market regulators, including the US Securities and Exchange Commission, Mr Rivett believes "the accounting profession is moving towards recommending VAR as the main risk measure to be disclosed" by companies as part of their regular reporting to the public. It is, however, a drawback

for VAR to be viewed merely as a a statistical measure. As one financial expert commented, "It will not be understood by all lay people, including some in the boardroom." Although this does not aeem to have diminished its attractiveness in the eyes of risk managers, experts have repeatedly called for a harmonisation of the VAR concept. Observers now agree tha onus has shifted away from market risk, "a matter that has been settled by VAR", in the words of one commentator. Coopers & Lyhrand, for axample, reporta an increase in rignments to look at operational risk - "by definition the blggest challange", according to Mr Rivett.

Mr Lese at Emcor concurs; pointing out that operational risk must be regarded as a separate domain, partly because of its potential consaquences, hnt mainly bacause of the complexity involved in its managemen Monitoring operational risk "requires a look at a large number of parameters separately", be said. These range from the possibility of a computer breakdown, to the risk of a trade reporting ticket being blown out the window, and encompass the odd rogue trader who bas devised a way to execute trades without reporting them. "It is relatively easy to



Phil Rivett: the issue of market risk is under control

tional risk", Mr Lese added. "But the remaining 10 per cent is the most difficult and costly to spot."

Operational risk is "more of an all-or-nothing type of event". Mr Rivett said, "Statistical measures of the probability that something will happen are not very useful. What matters is the ability to allocate resources to the areas that are most likely to suffer a problem.

Ron Dembo, president of

Algorithmics, points out that defining the areas which need monitoring is not as straightforward as it might appear at first sight. He illustrates this with the hypothetical example of a hank setting up expensive surveillance systems to monitor cashiers handling thousands of pounds in cash, while neglecting the supervision of traders who regularly put millions at risk - a fla-grant example of misallocation of resources.

Most experts, bowever, agree that dealing with operational risk is a question of common sense. In simple terms. Mr Lese said, the aim is to "reduce the opportunities when things can go wrong". This can be achieved by applying relatively simple guidelines. "Automation is good," Mr Lese said, "as well as the separation of responsibilities [between traders and backoffice staff] and increases in controls (such as random checksl'

Coopers & Lybrand reports that an increasing number of husinesses "are designing minimum control standards". The precursor to all sncb initiatives was undoubtedly the Group of 30, the Washington-based study group chaired by the former US Federal Reserve chairman Paul Volcker, which issued the first set of recommendations in the early 1990s. Mr Dembo believes the "G30 did a remarkabla job.

They captured the essence of the issues at stake". But he points out the difficulty of implementing its recommendations in detail. Fortunately, this task has been made easier by the work of several other groups, such as the Derivatives Policy Group (DPG), comprising representatives from US investment In Germany, the process

work, applicable at tha start of next year, will impose minimum requirements in terms of risk management. Although these are inspired by other recommendations such as the Generally Accepted Risk Principles and the DPG's work - they offer the advantage of being more explicit than the G30's ear-lier work. Mr Rivett stresses the importance of the small step from "what should be done" to "how to do it". "The market has come a long way since the G80 report," he says.

■ New products: by Margaret Morris

Fresh flavours gain support

The latest additions to the derivatives menu are insurance and electricity

If you thought all possible derivative frontiers had been breached, think again. Think in particular of insurance and electricity. Both industries have spawned new exchange-traded derivative instruments that are slowly gaining favour.

But the insurance and electricity markets require fundamental knowledge and industry understanding. Of the two, insurance derivatives are hetter developed and easier to understand. But as electricity markets deregulate throughout the world, Jaff Skilling, chief executive officer and chairman of Enron Capital & Trade says: "Electricity will be the largest commodity market in the world."

It is no coincidence that a market for catastrophe insurance derivatives is developing now. In the 1990s. a succession of hurricanes and earthquakes hit areas where property values are high. From Hurricane Hugo in 1990 through the Northridge earthquake southern California in 1994 to the recent scare of Hurricane Fran, insurance companies worldwide have sustained billions of dollars of claims.

"The enormous increase in property values and the insufficient capital of insurance companies means that was taken one step further. there just lsn't anough A new regulatory frame- capacity to cover the risks," aays Richard L. Sandor, chief executive officer of Chicago's Centre Financial Products. Capacity in the reinsprance markets - not helped by the problems with the Lloyds market - also is not deep enough to cope with the demand for catastrophe insurance.

All the derivatives products developed in the insurance market are designed to either shift the risks to those better able to absorb them, or to expand the pool of risk providers to encompass those not traditionally involved in insurance mar-

Since 1993, the Chicago Board of Trade has offered a catastrophe insurance contract designed to provide a layer of reinsurance for insurers or even reinsurers themselves. It is a call spread contract that allows an insurer to buy, say, protection of between \$4bn and \$6bn of losses for the late summer hurricane season. That means that if the insurer incurs losses above \$4bn, ha will receive a payment, but that payment will be capped at the \$6bn mark. If losses remain under the \$4bn threshold, no payment

will be made. contract The relaunched in September 1995, after the CBOT found that the loss estimates on which contract pricing was based were not accurate enough. Should a disaster strike, the contract is priced according to estimates of loss at the time. If those loss estimates are off base then faith in the contract is

undermined. "By moving to Property Claims Service, we are getting very accurate and timely loss information and that is shown in the contract usage since we switched," says Dena K-Karras, senior product manager at the CBOT. For the Northridge earthquake, Property Claims Service estimated that losses would be \$12.5bm at the time. The actual losses turned out to be \$12.3bn.

Volume on the contract aked in September as Hurricane Fran approached the east coast of the US. Open interest jumped nearly 30 per cent to a record 4,789 contracts representing \$8.6bn in coverage capacity. As it happened, Fran was downgraded to a tropical storm soon after hitting the North Carolina coast and a major disaster was averted. "What Fran showed was the flexibility of the contract." says Ceotre Financial's Sandor. It was possible, almost to the moment the burricane struck, to buy reinsurance cover. Traditional reinsurance would probably have been more expensive if it was available at all.

traditional reinsurance products but it does provide an extension of the coverage available. And insurance companies are also buyers of risk in this market. Big insurers such as Travelers/ Aetna and USFG have

announced pilot entry programmes into the market. Tha CBOT bopes that other non-insurers will be buyers of risk in this market. "It is attractive to portfollo managers," says Ms Karras, "because the returns are not correlated with any other asset in their portfolio." That means that buying catastrophe risk is an investment that will not change in value, say, when US interest rates move. Its value is more dependent on weather pat-

Other efforts to expand the risk capacity of the insurance market include the recent phenomenon of privately placed catastrophe risk bonds.

Derivatives in the electricity market are less developed than those in the insurance market, even though the electricity market stands to become larger in the long run. The development of electricity derivatives is a function of the deregulation of the cash market for electricity. No freely operating cash market, no derivatives market.

In the US, federal deregulation of transmission opened the way for deregulation in each of the 50 states. In areas where the states have deregulated electricity, particularly in the western part of the country. a rudimentary cash market has developed and so, too, have electricity derivatives, in the form of two futures contracts traded on the New York Mercantile Exchange.

The two contracts are based on the two most active delivery points in the cash electricity markets, the California-Oregon Border (the COB contract) and the Palo Verde high-voltage switchyard. These contracts were launched very early in the deregulation process and are

not widely traded. Nevertheless, says Enron's and price transparency."

Insurers say that the con- Skilling: "There is a lot of tract will not ever replace interest by bedgers. Electric ity is a big cost item for many companies. Producers, too, want the option to lock in." Mr Skilling expects the depth and liquidity of the electricity market in the US to develop very quickly within six to 12 months.

Critics of electricity deriv atives often point to the difficulty in storage as a key point that will limit the development of a futures and options market. Mr Skilling dismisses this coocern "At a price, you can build a spinning reserve, a generat ing facility that acts like storage. It is anologous to the gas reservoir." he says. To understand the true importance of electricity as a commodity, Mr Skilling points to the size of the market. "The US wholesale gos market is \$30bo; domestic oil is \$50bn. Electricity is \$93bn a year - that is 4 per cent of US gross national product, he says.

In the UK, the electricity market has been deregulated. But a bilaterally negotiated cash market does not exist, because of the regulated nature of the Electricity Pool, the day ahead market for physical electricity in Eogland and Wales. In particular, a price-capping agreement instituted by the industry regulator, Professor Stepban Littlechild, several years ago, kept average annual prices at £25 per megawatt hour. Though this agreement expired in April 1996, the cash price is seen as in thrall to the regulator, limiting activity in the key forward instrument, the electricity forward agreement (efa), which is a short to medium-term swap indexed to prices in the Pool.

Sorting out the technicalities of the electricity market are a priority for both electricity industry participants and their corporate customers, "Right now, only industry participants - independent power stations and the like are very active - but corporates are looking at bedging this exposure," says John Evans, an electricity broker at Euro Futures "The market needs liquidity

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Along the European track

promises to open up the French jobs market to the British. Travelling by rail from Lon- talk at the seminar from French don to Paris now takes less time than from London to Manchester. It is not surprising, therefore, between office and home.

the UK's flexible labour market with the more regulated French employment system is not going to be easy. This was clear from the discussions at a seminar in Paris last week organised by the British Council. Mrs Gillian Shephard, the UK's French speaking education and employment secretary, recommended the deregulated British way in . bullish tones to a polite if sceptical sudience. Many of the and Crédit Lyonnais, have employers and academics may have thought wistfully of the freedom enjoyed by UK compa-nies in recruiting employees. But Mr Jacques Barrot, the French labour minister, acknowledged

hannel Tunnal fires that his government was fearful notwithstanding, the of forcing through radical labour arrival of Eurostar market reform because of the social unrest it might cause.

There was much apocalyptic

participants who seemed to think their country was once again heading for revolution, although that trains between the two capi- that seemed extravagant lantals are full of workers travelling guage to the world-weary UK contingent. But France does But a satisfactory linking of appear to be experiencing a social malaise. With unemployment running at 12.6 per cent almost twice the UK figure - the French labour market is facing trouble. Just over a third of the jobless have been without work for more than 12 months. No net job creation took place at all in the private sector in the first half of the year, while a growing number of large companies, including carmakers Peugeot and Renault, announced substantial redundancies in recent months.

Many French participants complained about the inefficiencies of employment in the state sector. In one unnamed public enter-

lasts from midday until 2pm and the working day ends at 4pm. While staff in highly organised areas, such as Air France, can protect themselves from adversity, the French underclass, primarily made up of young males, grows larger and perhaps more

The main emphasis of the government's employment strategy has been on incentives to encourage employers to recruit from the long-term unemployed. The more jobless they hire, the more gener- employers on to the government ous the subsidy, or the bigger the discount the employer gets on social security contributions. The government has also been trying to encourage companies to recruit workers into part-time jobs, although with limited success. Young people and women have been the main beneficiaries of this inducement.

Companies are also being encouraged by the state to reduce working hours for their existing employees as a way of creating more employment opportunities. But Mr Barrot insists that any

prise, the lunch break apparently progress on working time depends on negotiations at industry and company level to achieve acceptance. The state is trying to encourage the growth of collective agreements for more flexible working between companies and their employees even if the workers do not belong to a trade union. However, the government accepts there can be no question of forcing through cuts in excessive overtime and introducing

variable work patterns. Shifting

the burden of social costs from

will be a slow process, but it does

appear to be making a limited

impact on employment

To Mrs Shepbard's obvious delight, the French government showing considerable interest in what the UK has been doing to improve vocational education and training. Legislation is promised for next year in France which would, among other changes, create a new national system of accreditation, similar to the UK National Vocational Qualifications, and allow workers no longer have to get the state's

Salaries, bonuses and car allowances in City of London finance

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negotiated as part of their working time. Despite their troubles, bowever, even French employers insist they have no desire to introduce what they call the "Anglo-Saxon hire-and-fire" recruitment culture. Mr Barrot said what they really wanted was

"serene stability".
"We need fewer regulations," he admitted, however. Employers to have training accounts trans- permission to downsize their

ferable between employers and operations but they are still table), says it has noticed an encumbered by the need for increase in bonus payments to agreed "social plans" of redeploy- bond traders and salesmen, forment, retraining, work sharing and early retirement. "We cannot overnight introduce flexibility ciers. because it would destabilise French society," said Mr Barrot. "Striking a balance is the Euro-

> Monks Partnership, which has just published quarterly data on City of London salaries* (see 541805, £270.

pean way."

traders and to corporate finan-

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For an initial discussion regarding this role, or other opportunities within Fox-Pitt, Kelton, telephone Paul Wilson on 0171 269 2312. Alternatively write to him, enclosing a full curriculum vitae, at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 0171 405 9649. Please quote reference 321199.

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Investmentbank Austria is establishing a London operation to enhance and develop its existing strengths and relationships in the UK and Northern Europe. The initial focus will be on sales and trading of emerging markets equities, supplementing its Austrian equity activities.

You will lead and build the team which will be supported additionally by research and origination efforts based in Vienna and throughout Central and Eastern Europe. You should have a background in institutional sales with strongly established relationships. An understanding of the fundamentals of emerging markets, ideally those in Eastern Europe, is important. A willingness to participate in the team effort is essential.

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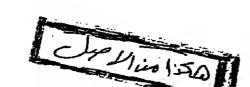
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To spply, please telephone or write in Neil Salt, Salt Chapman Associates, international Search and Selection 41 Dover Street, London W1X 38B. 44-(0)171-493 1319. Fax: 44-(0)171-493 0835

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We are seeking experienced equity sales people with good contacts to UK institutional clients as we will be increasing the marketing of our improved and upgraded research product. You should ideally have several years of experience in equity sales and exhibit an indepth knowledge of Nordic equities and companies. You are a proven business winner with a relevant contact base among UK fund managers. You should have first-class communication skills and be able and willing to effectively work independently and in a team. Fluency or proficiency in any one of the Scandinavian languages is an advantage.

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We are seeking Nordic analysts to work in London. You will be our dedicated analyst on a Nordic market, working closely with our local analysts and the cross-border sales people to identify, research and market original and exciting investment ideas to our international client base. You must be able to demonstrate indepth analytical and high-quality report writing and verbal communication skills. You must be highly motivated and able to work independently and in a team. You are already working in a similar capacity In either London or Scandinavia and have the necessary experience as well as an appropriate educational background.

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We are looking for a numerate professional combining in-depth IT knowledge with a strong equity research interest to work with financial modelling, information and decision support systems for our analysts. You can have either an IT or an equity research background, combining in-depth knowledge and extensive experience in one area with a keen Interest and high ambitions in the other. You will, in close cooperation with our analysts and IT people, develop and support relevant decision & information support systems, databases, valuation and other financial models etc.

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We are looking for editors to complement our current team of London-based Nordic research editors. You will be instrumental in helping the analysts communicate their investment ideas to investors with clarity and vision. As all our research is currently produced in English the job mostly involves editing, although you will sometimes have to do complete rewrites. Fluency or proficiency in any one of the Scandinavian languages is a distinct advantage as is journalistic or investment writing experience.

For a confidential discussion and further details on the above sales appointments, please contact Per Munk-Nielsen or Arve Nilsson, Co-Heads of the Nordic sales desk in London, on 0171 216 4082 or 216 4034 or apply with CV to Per Munk-Nielsen/Arve Nilsson. Carnegie, 24 Chiswell Street, London EC1Y 4UE.

For a confidential discussion and further details on the above research appointments please contact: Tommy Erixon, Group Head of Nordic Research, tel. 0171 216 4099 or +46 8-676 8699 or apply with CV to Tommy Erixon, Carnegie, 24 Chiswell Street, London EC1Y 4UE.

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This is a critical, visible role where success could lead to a range of career opportunities within the Visa organisation.

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WARSAW

Société Générale is a top tier global investment bank with an extensive European office network. Its research. trading and sales operations for equity and equity-related securities in Central/Eastern Europe and CIS is conducted through Société Géoérale European Emerging Markets Limited. They are currently seeking to hire a Head of Polish Research to manage, expand and develop the existing research team in Warsaw.

- To provide multi-sectoral research for the corporate finance department and for investment clients. ■ To provide high quality and detailed written company and sector research, and monthly notes.
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> Applicants for the position, who must have an accountancy qualification, should be efficient, "hands-on" administrators with a commercial orientation and a capacity for detail. They should also be able to demonstrate experience at a serior level of general and/or business management.

In the first instance please send full CV quoting ref no: 4450 to Stuart W J Adamson FCA at Adamson & Partners Ltd, 10 Lisbon Square,

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When you're a prominent multinational company, it's You should have between 8-13 years experience having ideally worked for one of the Big Six accounting firms and o multinational company. This should be matched with a degree in accounting or finance with fluency in English and at least one other European language. Statutory and multi-currency accounting experience are essential, as are project leadership skills, the ability to manage change and excellent nunication skills.

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The development of the Internal Control group is a critical element in the bank's strategy to further improve the quality of support to and control over its securities trading, asset and liability management and stock lending businesses. Straddling all infrastructural groups including finance, operations, product control, market and credit risk, the role will focus on the review of existing systems, processes and procedures and subsequent recommendation and implementation of suitable measures to control all types of risk. It will look at the ways in which management information for trading activity is gathered, evaluated and expressed, and will highlight potential problem areas such as system feeds between risk, operations and accounting groups. Further responsibilities will include building strong relationships with colleagues in finance, operations and the front office and educating them in the application of control principles.

Candidates will be high calibre graduate accountants with a strong understanding of the control issues relating to securities trading. They will have proven auditing skills and the technical ability, numeracy and analytical skills to understand the products. They must possess the interpersonal skills needed to communicate effectively and establish credibility with senior management. They will be able to demonstrate initiative, creativity and a positive and approach. In addition to the opportunities for cureer development.

Please write to Joe Thomas at BBM Selection, quoting Ref: 414 and enclosing a full CV that includes contact telephone members. All applications will be treated in the strictest confidence.

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E-mail: 414@bbm.co.uk

Director of Finance Caribbean

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Following the eppointment of a new CEO, e comprehensive strategic review hes been undertaken of SHI's activities. Arising from this, BHI now wishes to appoint a Director of Finance. The duties end responsibilities will initially combine the roles of a Director of Finance and Chief Accountant. The Director of Finence is eccountable to the CEO end will work closely with the Corporation's Advisers.

As well as being a qualified Accountant, the successful applicant is likely to be 35-45 years of age, a Director of Finance in a small to medium sized publicly quoted company end will be eble to demonstrete strong dey-to-day finencial, entrepreneurial, presentational and communicational skills, high energy levels and a hends-on approach. The office location is in southern Florida.

Comprehensive CVs should be sent by meil or fax to Mr R E Painter, who is advising the Compeny on the appointment, to: 100 West Hill, London SW15 2UT, England. Fax number (44) 181 875 9810.

Closing date: 9th December 1996.

Further information about the company and the appointment will be supplied to shortlisted applicants.

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Sunrise Medical are one of the largest specialist manufacturers of rehabilitation, recovery and respiratory products such as wheelchairs, scooters, stairlifts, beds, bathing aids, patients hoists and such related equipment. Incorporated in America, their UK base is in Stourbridge, West Midlands. Global turnover this year will be in the region of \$730 million, with almost £100 million of this attributable to the UK market.

Management Accounting Controller West Midlands c £35,000 + Car + Bonus + Bens

As part of a centralisation of operations, Sunrise are looking to recruit an individual supporting the Finance Director providing a quality site management accounting service, coordinating the activities of the individual business unit accountants and supplying support to the business unit directors.

The key responsibilities of the role will encompass coordination of business planning and budgeting activities, ensuring accuracy and integrity of all production and manufacturing related information including, cost of sales and stock records. In addition, you will be providing information for business unit profitability analysis and strategic decision making purposes whilst developing world class management accounting practices.

Suitable candidates will be CIMA qualified with at least two to five years PQE gained within a multi-product engineering/manufacturing environment. Ideally, you will have a sound academic background with a good degree and have gained experience in modern approaches such as modular manufacturing. JIT and KanBan, but at the very least essing a knowledgeable understanding of such techniques.

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FINANCE DIRECTOR

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The person appointed will be a qualified accountant, aged 35-50 with excellent hands-on financial experience, together with more general, commercial exposure. A manufacturing hackground would be an advantage, however, the key artributes are a tenacious, pragmatic and knowledgeable approach, with the ability to work under pressure. Previous experience of taking a company to a flotation would be beneficial, however, more importance will be placed on the confidence end maturity to present to potential investors, financial institutions and customers leading op to their market listing.

The Directors are keen to appoint an experienced individual who will provide the skill, drive and initiative, together with installing financial controls which will produce timely and accurate management information to support the growth over the next five years.

If you would like to be considered for this role, please send a copy of a current curriculum vitae together with salary expectations, to: Ms Kiran Makkar, Nigel Lynn Associates, Suite A, 6 Worcester Street, Gloucester Green, Oxford. OX1 2BA. Tel: 01865 202066 Fax: 01865 202033 FCA

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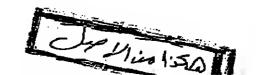
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You will have wide ranging influence on systems, policies and procedural reviews. Current IT awareness will be essential in contributing to the development of information management and reporting; while your knowledge of the intricacies of UK and non-UK tax and audit issues and implications must continue to keep pace. with all the latest developments.

You must have the balanced diplomacy necessary to relate effectively in a multi-national environment and at all levels. Advanced technical expertise must also be matched by clarity of communication to a more general audience. Meanwhile your absolute integrity, credibility and incisive judgement will make you an invaluable asset. to a small, but high-achieving team.

It is most unlikely that anything less than 10 years' postqualification experience will have given you the required depth. If you are able to lend substance to shifty, and believe that you have the degree of presence required to establish yourself in this role, you will enjoy a highly

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Our client has acquired an enviable reputation as one of the country's leading specialist civil engineering and construction organisations. Operating in a highly competitive sector, the Group with a turnover now approaching \$100m. is seeking an experienced finance manager to strengthen its " small cohesive management team and support its excellent potential for further development.

As a key member of that team you will be expected to make a significant contribution in driving torward business performance and managing the planning process. Priority will brevitably be to ensure tight financial control of all activities across the Group's diverse operations. Fundamental to this will be the need for firm cash management as well as developing and implementing systems capable of supporting and regulating a dynamic

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A graduate qualified accountant, you will have strong all round professional skills, ideally proven in a commercially strong, market-led contracting or construction organization, A resulte and profit oriented individual, you must have a sound imovindes of modern integrated management information systems. You must also be equally amobile of functioning at both a strategic level and in the detail necessary to challenge

Please send full personal and corner details, including current remaneration level and daytime telephone number, In confidence to Addian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greytrices Road, Reading RG1 1J9 quoting reference AE934 on both envelope and letter,

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Accountant

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Reporting to the Chief Accountant, and responsible for all external reporting for the Group. This will include:

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· Providing ad hoc assistance to the Chief Accountant and

Group Financial Controller on acquisitions, disposals and

The ideal candidate will be a recently qualified ACA, who has a commercial approach and who can use initiative in tackling

has a complex corporate and leasing structure).

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Ref: DR8016 Ref: DRf: Interested applicants for either of the above positions, ahould contact David Rooney, from Marks Settin Financial Recruitment Consultants, on 0171 434 4455 (Fax 0171 355 4501), quoting the relevant Reference No, or alternatively submit their CV to the address below.

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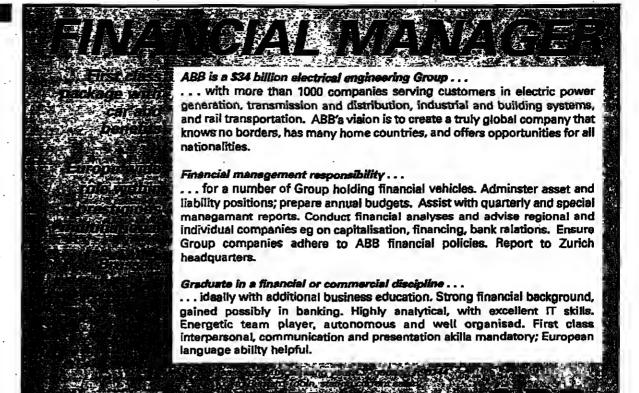
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SELECTION

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Financial Controller

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complamented by e thorough understanding of one or more EU corporate tax systems. Fluency in English is essential and a knowledge of other European languages would be edventagaous. Tanacity, mentel toughness and ambition will provide you with exceptionel cerear opportunities within this vibrant global Corporation.

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The Company

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The Requirements

- · Proficiency in English, together with another European language.
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- · High level of knowledge in audit techniques with certification to CIA/CISA standards, or the equivalent, or, be in a postion to study for the certificate.

This is an excellent career opportunity for dynamic, ambitious professionals who are flexible, mobile and willing to travel 75% of the time, who also understand the importance of future career progression with a large multinational company.

Our client is expanding rapidly, if you wish to expand your knowledge with them, please call, send or fax your CV quoting reference number FT09073 to our advising ultant: Jane A. Davenport, International Divisio Street, London W1P 2DY. Tel:44 171 419 0245, Fax: 44 171 813 4055 Email-jane@dearman.demon.co.uk.

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- Relational Database
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INVESTMENT BANKING

C/UNIX/RDBMS

£25k - £40k + boous

Top class Developers aought by pioneeriog US investment Bank. Charged with the design and development of their Back Office Derivatives System, you will employ strong 'C' and Database programming skills to ensure timely delivery to the trading group. Excellent opportunities to develop your financial expertise and your technical skills. Migration to C++/Wlodows NT is imminent. cross-training to SYBASE is on offer.

BUSINESS ANALYSTS

£40k - 560k

A new and highly successful Consultancy whose clients include a number of top Investment Banks seeks Business Analysts. Essentially you will need to bave solid investment Banking knowledge, as well as structured ralysis and design techniques - ideally gained within a stributed database covironment. These are opportunities to work at the forefroot of Risk Management Systems ent, not only in London but potentially across

CAPITAL MARKETS/CLIENT SERVER Business Consultants required to provide business and development expertise on RAD projects for the front and middle office of this world leading Investment Bank. Providing a pivotal role between business and LT. you will obtain user requirements and develop systems utilising Client Server technology on a multi-platform architecture. It is imperative that the incumbents have a good understanding of Capital Markets and Client Server technology as this is very much a business and I.T. role. Excellent challenge.

Highly numerate Financial Engineers required by this pre-eminent U.S. investment Bank. Building mathematical models for the Fixed Income Business + boous

+ bank bens

activities although opportunities to lead and build a
quantitative research and development team are available. A good understanding of applying technolog to complex issues is absolutely essential. Intellige 'high' fivers only.

DERIVATIVES STRUCTURING

EQUITY DERIVATIVES

\$45k - \$60k + bank bens

An exceptional Analyst Developer is required for this global investment Bank. Your product knowledge should include one of the following: Risk Managem Exotics, Equity Swaps, Structured Products and technical background - C/UNIX/SYBASE with an laterest to C++/Delphi. You should also be a self-starter with the confidence to work in the hub of the trading floor and the ability to prioritise within strict disescales. Unlimited prospects.

+ bens

FIXED INCOME/CLIENT SERVER Senior Analyst Programmers required by the securities arm of one of the world's foremost Investment Banks. Working very closely with the traders, you sanks. Working very closely with the traders, you will employ your knowledge of Relational Database and Gill tools in the complete life cycle development of a Fixed Income trading system. This is an integral role in a process which will include extensive trader. contact, requiring a good understanding of financial markets and pricing techniques. Exclude, challenging and extremely rewarding career move.

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salary to £100,000

You will need proven experience in the quantification of corporate risk exposure on any time scale, allowing these risks to be optimally managed by the design of appropriate hedging and asset/liability management strategies. The successful candidate will be totally responsible for the design and development of a modelling framework to support all functions required in Risk Advisory.

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salary to £60,000

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For an informal discussion about these exciting career challenges, please contact our city consultant Lisa Russell on 0171 419 2518 mobile 0956 891323 alternatively send your cv on disc or hard copy to Prime Selection, Prime House, 136 Kentish Town Road, London NW1 9QB. Fax 0171 813 6574 or e-mail on 100451.3674@COMPUSERVE.COM



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